



Audit Advisory Committee

Wednesday 10 January 2018 at 6.30 pm

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

Membership:

Members

Mr Ewart (Chair)
Mr Sullivan

Substitute Members

Councillors:

A Choudry (Vice-Chair)
Davidson
Nerva
Perrin
Krupa Sheth

Councillors:

Hoda-Benn, Long, McLeish and Pavey

Councillors:

Kansagra and Warren

For further information contact: Nikolay Manov, Governance Officer
Tel: 020 8937 1348, Email: nikolay.manov@brent.gov.uk

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www.brent.gov.uk/committees

The press and public are welcome to attend this meeting.

Notes for Members - Declarations of Interest:

If a Member is aware they have a Disclosable Pecuniary Interest* in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent and must leave the room without participating in discussion of the item.

If a Member is aware they have a Personal Interest** in an item of business, they must declare its existence and nature at the start of the meeting or when it becomes apparent.

If the Personal Interest is also a Prejudicial Interest (i.e. it affects a financial position or relates to determining of any approval, consent, licence, permission, or registration) then (unless an exception at 14(2) of the Members Code applies), after disclosing the interest to the meeting the Member must leave the room without participating in discussion of the item, except that they may first make representations, answer questions or give evidence relating to the matter, provided that the public are allowed to attend the meeting for those purposes.

***Disclosable Pecuniary Interests:**

- (a) **Employment, etc.** - Any employment, office, trade, profession or vocation carried on for profit gain.
- (b) **Sponsorship** - Any payment or other financial benefit in respect expenses in carrying out duties as a member, or of election; including from a trade union.
- (c) **Contracts** - Any current contract for goods, services or works, between the Councillors or their partner (or a body in which one has a beneficial interest) and the council.
- (d) **Land** - Any beneficial interest in land which is within the council's area.
- (e) **Licences** - Any licence to occupy land in the council's area for a month or longer.
- (f) **Corporate tenancies** - Any tenancy between the council and a body in which the Councillor or their partner have a beneficial interest.
- (g) **Securities** - Any beneficial interest in securities of a body which has a place of business or land in the council's area, if the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body or of any one class of its issued share capital.

****Personal Interests:**

The business relates to or affects:

- (a) Anybody of which you are a member or in a position of general control or management, and:
 - To which you are appointed by the council;
 - which exercises functions of a public nature;
 - which is directed is to charitable purposes;
 - whose principal purposes include the influence of public opinion or policy (including a political party or trade union).
- (b) The interests a of a person from whom you have received gifts or hospitality of at least £50 as a member in the municipal year;

or

A decision in relation to that business might reasonably be regarded as affecting, to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the electoral ward affected by the decision, the well-being or financial position of:

- You yourself;
- a member of your family or your friend or any person with whom you have a close association or any person or body who employs or has appointed any of these or in whom they have a beneficial interest in a class of securities exceeding the nominal value of £25,000, or any firm in which they are a partner, or any company of which they are a director
- any body of a type described in (a) above

Agenda

Introductions, if appropriate.

Item	Page
1 Apologies for absence and clarification of alternate members	
2 Declarations of interests Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary, personal or prejudicial interests in the items on this agenda and to specify the item(s) to which they relate.	
3 Deputations (if any) To hear any deputations received from members of the public in accordance with Standing Order 67.	
4 Minutes of the previous meeting To approve the minutes of the previous meeting as a correct record.	1 - 8
5 Matters arising (if any) To consider any matters arising from the minutes of the previous meeting.	
6 Objections to the Accounts Regarding the Payment to the Council's Former HR Director This report sets out the outcome of the Objections to the accounts regarding the payments made to the Council's former HR Director, Cara Davani. It also sets out the recommendations made for improvement, all of which have been accepted by the Council.	9 - 12
Ward Affected: All Wards	Contact Officer: Conrad Hall Chief Finance Officer Email: conrad.hall@brent.gov.uk Tel: 0208 937 6529
7 Emergency Preparedness Task Group Report Following the tragic fire at Grenfell Tower, a joint Task Group was formed between members of the Audit Advisory Committee and each of the scrutiny committees, to assess Brent's emergency preparedness. The report sets out the Task Group's findings and recommendations.	13 - 82

Ward Affected:
All Wards

Contact Officer: Joanna Walton
Head of the Chief Executive's Office
Email: joanna.walton@brent.gov.uk
Tel: 020 8937 6879

8 External Audit Progress Report and External Audit Plan 2017/18 83 - 106

The External Audit Progress Report summarises the auditing activities undertaken by KPMG in the December 2017 and provides an overview of actions to be completed by the next meeting of the Audit Advisory Committee in March 2018.

The External Audit Plan supplements the audit fee letter dated 24 April 2017 which set out details of KPMG's appointment by the Public Sector Audit Appointments. It describes how KPMG will deliver their financial statements audit work for the London Borough of Brent ('the Authority') and the Brent Pension Fund ('the Pension Fund') and also sets out their approach to value for money (VFM) work for 2017/18.

9 Proposed Changes to the Planning Code of Practice 107 - 122

The report advises Members of proposed changes to the Council's Planning Code of Practice.

Ward Affected:
All Wards

Contact Officer: Looqman Desai
Senior Solicitor (Governance)
Email: looqman.desai@brent.gov.uk
Tel: 020 8937 1366

10 Payroll Audit Report 123 - 174

The report includes findings, risks and recommendations and the actions agreed by management following a recent audit of the Council's Payroll arrangements.

Ward Affected:
All Wards

Contact Officer: Michael Bradley
Head of Audit & Investigations
Email: michael.bradley@brent.gov.uk
Tel: 020 8937 6526

11 Pensions Administration Audit Report 175 - 200

The report includes findings and actions agreed by management following a recent audit of the Council's Pensions Administration arrangements.

Ward Affected:
All Wards

Contact Officer: Michael Bradley
Head of Audit & Investigations
Email: michael.bradley@brent.gov.uk
Tel: 020 8937 6526

12 Strategic Risk Register Cover Report 201 - 206

This is periodic report updates the Committee on the corporate risks currently facing the Council.

Ward Affected:
All Wards

Contact Officer: Michael Bradley
Head of Audit & Investigations
Email: michael.breadley@brent.gov.uk
Tel: 020 8937 6526

13 Preparing the Annual Internal Audit Plan 2018/19 207 - 208

This paper sets out the process for preparing the Internal Audit annual plan for 2018/19 and seeks input from the Audit Advisory Committee on areas where they think independent assurance may be beneficial.

Ward Affected:
All Wards

Contact Officer: Michael Bradley
Head of Audit & Investigations
Email: michael.breadley@brent.gov.uk
Tel: 020 8937 6526

14 Closure of Accounts 2017/18 209 - 212

This paper updates the he Audit Advisory Committee on the plans in place to close the 2017/18 accounts, and prepare and publish the statements within the revised and much earlier statutory deadlines for 2017/18.

Ward Affected:
All Wards

Contact Officer: Chris Roberts
Senior Finance Analyst
Email: chris.roberts@brent.gov.uk
Tel: 020 8937 2175

15 Treasury Management Strategy 2018/19 213 - 232

The report presents the draft Treasury Management Strategy for 2018/19 for consideration by the Committee. The final version of the Strategy, incorporating the views of the Committee, will be included in the budget report to be approved by the Council on 26 February 2018.

Ward Affected:
All Wards

Contact Officer: Archa Campbell
Head of Finance
Email: archa.campbell@brent.gov.uk
Tel: 020 8937 4722

16 Internal Audit & Counter Fraud Progress Report for the Period 1 September - 31 December 2017 233 - 260

The paper provides an update on the progress against the internal audit plan for the period 1 September 2017 to 31 December 2017. The appendix to the report also summarises those audits from the 2017/18 plan which have been finalised since the last meeting of the Committee. The report also provides a summary of counter fraud work for the period.

Ward Affected:
All Wards

Contact Officer: Michael Bradley
Head of Audit & Investigations
Email: michael.bradley@brent.gov.uk
Tel: 020 8937 6526

17 Public Sector Internal Audit Standards (PSIAS) Progress Report 261 - 280

The purpose of this report is to inform Members of the progress on implementing the action plan that was produced after the self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).

Ward Affected:
All Wards

Contact Officer: Michael Bradley
Head of Audit & Investigations
Email: michael.bradley@brent.gov.uk
Tel: 020 8937 6526

18 Audit Advisory Committee Forward Plan 281 - 282

19 Exclusion of Press and Public

The following item is not for publication in full as it relates to the following category of exempt information as specified under Section 100A(4) of the Local Government Act 1972, namely:

3. Information relating to the financial or business affairs of any particular person (including the authority holding that information).

20 Update - Paddington Cemetery Groundworks 283 - 288

The paper updates the Committee on further enquiries undertaken since the issue of an investigation report into concerns raised about landscaping works at Paddington Cemetery in 2010; specifically whether works were adequately specified and signed off as required.

Ward Affected:
All Wards

Contact Officer: Michael Bradley
Head of Audit & Investigations
Email: michael.bradley@brent.gov.uk
Tel: 020 8937 6526

21 Any other urgent business

Notice of items to be raised under this heading must be given in writing to the Head of Executive and Member Services or his representative before the meeting in accordance with Standing Order 60.

Date of the next meeting: Tuesday 20 March 2018



- 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.

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MINUTES OF THE AUDIT ADVISORY COMMITTEE Held on Tuesday 5 December 2017 at 6.30 pm

PRESENT: Councillor Mr Ewart (Chair), Councillor A Choudry (Vice-Chair), Eugene Sullivan (Independent Member) and Councillors Davidson, Nerva, Perrin and Krupa Sheth

Also Present: Councillors Duffy and S Choudhary

1. **Apologies for Absence and Clarification of Alternate Members**

There were no apologies for absence received.

2. **Declarations of Interest**

There were no declarations of interest.

3. **Deputations**

There were no deputations.

4. **Minutes of the Previous Meeting**

It was **RESOLVED** that the minutes of the previous meeting on 20 September 2017 be approved as an accurate record.

5. **Matters Arising**

(i) *Planning Applications Audit Report*

The Chair outlined that this report had been circulated after the previous meeting of the Committee.

(ii) *I4B Holdings Ltd – Discussion at the previous meeting*

Members felt that the minutes did not fully reflect the nature of the discussion on I4B at the previous meeting. It was put forward that there had been more of a focus than had been recorded on the governance framework through which the Company should operate, and the different mechanisms by which I4B would be accountable to the Council.

The Chair stated that the wording was not in itself inaccurate, and therefore it was not necessary to suggest amendments, rather that the importance of the discussion on governance had not been emphasised clearly enough. It was agreed that it would be suitable for these points to be reflected on record for the minutes of the current meeting. Conrad Hall (the Council's Chief Finance Officer) added that the Company's Business Plan for 2018/19 was presently being drafted and that there would be additional opportunities for Members

to offer their opinions on how the Company's governance framework should operate.

6. External Audit Progress Report

Andrew Sayers (Partner, KPMG - External Audit) introduced the report which provided the Committee with external audit updates since September 2017 and the work planned before the next meeting on 10 January 2018.

He drew Members' attention to the completion of the work on the Housing Benefit Subsidy claim and Teachers' Pension Return which was expected to be certified by 30 November 2017, and added that a report would be provided on the detailed findings at the next Audit Advisory Committee meeting. He also explained that the five objections which related to the payment made to the Council's former Human Resources (HR) Director had not been upheld, and that the decision letters (which set out the external auditor's reasons in detail) had been sent to the objectors individually on the afternoon of the meeting. He added that although the objections had not been upheld he had made three recommendations for improvement. He also specified that the outstanding objection which related to the Lender Option Borrower Option (LOBO) loans remained in the process of being reviewed.

Members requested clarity on the process for how the determination letters to objectors were issued by the external auditor. There were specific questions raised on whether Audit Advisory Committee Members should have sight of the auditor's reasoning for the objections not being upheld, and to what extent the information would be made available to the public. Conrad Hall clarified that there were strict legal restrictions on how the information could be shared. These restrictions flow from the overall legal framework for managing objections to the accounts, rather than because of the particular content of these letters. Conrad Hall added that the restrictions on circulating the letters applied to anyone in receipt of them, therefore including the objectors, and that a breach of these restrictions would potentially constitute a criminal offence. He outlined that information that was already in the public domain on the issue could of course be shared, and that this therefore included the fact that the objections had not been upheld and that recommendations for improvement had been made (as these facts had been disclosed earlier by Andrew Sayers). Conrad Hall added that the Council would consider an additional public response, but would first need to take careful legal advice which it had not yet been possible to do as the determination letters had only been received about three hours before the start of the meeting. Andrew Sayers added that the objectors themselves had a legal responsibility not to share the response, and that the potential criminal consequences of doing so had been made clear to them. A Member of the Committee placed on record their concern at members of the Audit Advisory Committee not being able to access the response even if on a limited or restricted basis.

A question was also raised on whether a final figure on the External Auditor's fees had yet been reached. Andrew Sayers responded that he did not have a figure at the time of the meeting, but would circulate it to members of the Committee as soon as possible.

It was **RESOLVED** that:

- (i) The External Audit Progress Report by noted;
- (ii) An additional summary of information (which could be legally shared) on the determination not to uphold to objections in relation to a payment to the Council's former HR Director, be circulated to Members. The summary would also include guidance on the legal restrictions on sharing the Auditor's full response; and
- (iii) The figure for the External Auditor's fees be circulated to members of the Committee once finalised.

7. **Annual Audit Letter 2016-2017**

Andrew Sayers continued and gave a brief overview of the Annual Audit Letter which summarised the outcomes and key messages that had arisen from KPMG's 2016/2017 audit work at the Council. He referred Members to the report within the agenda pack for further detail on the key information and welcomed any questions.

The Chair noted that the Council's financial resilience was a key focus of the audit work and questioned whether there were any issues that the Committee should be aware of, plus whether it was anticipated that the work 2017/18 audit work would be completed by the statutory deadline. Andrew Sayers responded that the external auditors remained comfortable that the Authority's level of reserves had been set at an appropriate level. He also confirmed that the resources to complete the audit work in 2017/18 were adequate and it was anticipated that the work would be completed on schedule. Conrad Hall agreed that the initial preparatory work for 2017/18 had progressed well and there were no expected issues in order to meet the new deadline for the draft annual accounts of 31 May 2018 (previously 30 June) and of 31 July 2018 (previously 30 September) for the audited accounts.

The Chair placed on record the Committee's thanks and appreciation to both the Council's external auditors and Finance Department for their ongoing work.

It was **RESOLVED** that the report be noted.

8. **Brent Housing Partnership / Housing Management Transformation**

Troy Francis (the Council's Head of Housing Management Customer Services) provided the Committee with an update on the transformation of the Housing Management function provided to the Council's Tenants and Leaseholders. He specified that the report detailed the actions taken since the management agreement with Brent Housing Partnership (BHP) had been ended in April 2017 and then brought back under direct control of the Council in October 2017.

Mr Francis explained that the Housing Management Transformation Board, which consisted of both Brent Council and BHP officers, had been formed to oversee four key objectives on the housing management transformation and delivery of services (outlined under paragraph 3.2 of the report). Members heard specific details on: the progress made on recruitment as several senior managers had now been appointed; and the incorporation of housing requirements into the Council's procurement of a new Customer Relations Management (CRM) system. Mr Francis stressed that the change within the past year had been challenging, particularly due

gaps in management capacity and extensive levels of staff turnover. However he specified that the new operating model was still planned to go live on 1 July 2018 after a wide-ranging consultation with relevant stakeholders. Conrad Hall added that the report had been produced for the Council's Audit Advisory Committee to fulfil the monitoring role previously fulfilled by BHP's own Audit Committee.

A Member noted that Brent was not unique in bringing Arm's Length Management Organisations (ALMOs) back under direct Council control and questioned if any comparisons or benchmarking had been undertaken with Authorities in a similar position. Troy Francis responded and stated that the Housing Management Transformation team were aware of the need for strategic alignment and would seek to draw upon both internal and external expertise throughout the transition process. Carolyn Downs (the Council's Chief Executive) added that BHP had benchmarked performance in various areas (such as voids and customer satisfaction) and had continued to do so since housing management services were brought under the Council's direct control. She explained that the performance data was now being recorded more accurately by the Council and that, although this might mean that the new statistics appear less positive initially, it would enable performance to be monitored more efficiently going forward. It was felt that it was presently too soon to benchmark with similar Authorities or organisations but this could be assessed in six months to a year's time.

(Councillor Davidson joined the meeting at 7.00pm.)

Questions also arose on whether there would be any financial risk to the Council if certain properties needed to be refurbished to a higher standard, and whether any subsequent budgeting problems might arise from this. Carolyn Downs stated that financial due diligence had been undertaken before the transfer of properties and that there did not appear to have been any wide-ranging financial risks. She noted that issues on fire safety had obviously needed to be addressed in the wake of the Grenfell Tower tragedy and that the Council had undertaken fire safety checks on all of its high rise tower blocks. Members heard that the additional costs for the planned fire safety improvement works had recently been approved by Cabinet.

A Member of the Committee noted the levels of staff turnover as part of the transformation and expressed surprise at the proportion (45%) of agency staff within the service. It was questioned if the Council aimed to reduce this level and ensure more staff members were permanently contracted. Carolyn Downs explained that the Council wanted as many staff on permanent contracts as possible. She said that Brent had immediately sought to regularise contracts of BHP staff and offer permanent contracts to agency workers during the transition. She outlined that whilst many staff members took up this offer, a lot of staff also chose to move on and the recruitment process remained ongoing to bring the service up to full capacity in time for the launch of the new operating model.

The plan to deliver £1million in savings for the Housing Revenue Account (HRA) was referenced and it was questioned what the rationale behind this figure had been. Conrad Hall stated that the original Cabinet decision to bring housing management services back in-house was predicated on the potential for the Council to make savings. He ran through the potential avenues for this, such as: savings on back-office or administrative costs; a reduction in senior management costs; and an array of Company secretariat functions no longer being necessary.

Troy Francis added that investments in technology, such as through the procurement of a CRM system, would also assist with the realisation of efficiencies.

It was **RESOLVED** that the report be noted.

9. **Brent Housing Partnership - Summary of Audits Reports Issued 1 April 2016 to 31 August 2017**

Michael Bradley (the Council's Head of Audit and Investigation) introduced the report which provided an overall summary of the internal audit reports issued to the BHP Audit Committee from 1 April 2017 to 31 August 2017. He directed Members' attention to the table within the report (under paragraph 3.1) which highlighted that, of the 11 internal audit reports over this time period, six had provided 'reasonable' assurance and five had provided 'limited' assurance. He explained that the reports provided a 'snapshot' of the controls in place at specific times and progress on the recommendations made to address the audits which had only provided 'limited' assurance. He explained that the Council's Internal Audit team had followed up on whether the recommendations to rectify these areas had been implemented, and the findings were also detailed within the report.

Members commented that it was clear a lot of work had been envisaged as part of the recommendations, but that the implementation appeared to be slow. It was also requested that a list which provided an update on progress be provided at the Audit Advisory Committee's meeting in March 2018.

It was **RESOLVED** that:

- (i) The report be noted; and
- (ii) A further update report be brought back to the Audit Advisory Committee at its meeting on 20 March 2018.

10. **Anti-Fraud and Bribery Policy 2017 and Anti-Money Laundering Policy 2017**

Michael Bradley continued and outlined that he would combine his overview of the new proposed Anti-Fraud and Bribery Policy 2017 and Anti-Money Laundering Policy 2017.

He began with a brief summary of the new Anti-Fraud and Bribery Policy 2017, which had last been amended in 2014, and notified Members that the Council would be undertaking a fraud awareness drive in early 2018. He also explained that the new Money Laundering Regulations came into statute in June 2017 and the new proposed Anti-Money Laundering Policy set out the Council's response. He noted that the policy had been drawn to ensure that the Council was compliant and protected itself from any threat of money laundering.

Members welcomed the proposed policies and questioned how it was envisaged for the detail to be shared with stakeholders such as: officers, Members and residents. Michael Bradley said that the establishment of the policies themselves had been the starting point and that a publicity and communications strategy would be developed in due course. Discussions ensued on the different methods to spread information about the policies, which included: awareness raising with the Council's

tenants and leaseholders; fraud awareness workshops; e-learning for Council staff; information publicised on the Council's intranet; and scheduled discussions at resident engagement forums such as Brent Connects. In response to an additional question about how the borough's schools would be made aware of the policies, Michael Bradley stated that schools would be factored into the awareness raising programs to assist in managing the specific risks that schools faced. He said that the mechanisms for safely reporting fraud and whistleblowing would also be made clear to all stakeholders.

It was **RESOLVED** that:

- (i) Subject to all staff job titles being corrected within the corporate framework section, the Anti-Fraud and Bribery Policy 2017 be noted and approved;
- (ii) The Anti-Money Laundering Policy 2017 be noted and approved; and
- (iii) A publicity and communications strategy be developed to ensure that officers, Members and residents were made aware of the new policies and the provisions within them.

11. **Any Other Urgent Business**

The Chair outlined that he had received a request for an urgent item from Councillor Perrin entitled 'Public Questioning of Brent's Probity in Planning' but that he would not be using his discretion as Chair to add the item to the agenda on this occasion. He explained although matters raised on proposed amendments to the Planning Code of Conduct may be relevant at a future meeting, Members would not have had adequate time consider the issue at the present meeting.

It was **RESOLVED** that a report on the proposals to amend the Planning Code of Conduct would be present at the meeting of the Audit Advisory Committee at its meeting on 10 January 2018.

12. **Paddington Cemetery Groundworks**

Michael Bradley introduced the report which set out a summary of the findings from an internal audit investigation into the procurement of landscaping work at Paddington Cemetery in 2010. Members heard that the investigation had been conducted in light of the discovery of asbestos contamination at the Cemetery. He stated that the review examined procurement procedures within the Cemeteries service at the time the work was undertaken in 2010 and had concluded that the procedures had been inadequate. Members heard that the review had also set out recommendations for the Council's senior management to urgently review procurement processes particularly in the cemeteries service and consider the best course of remediation action to proportionately mitigate the soil contamination identified.

Chris Whyte (the Council's Operational Director of Environment Services) emphasised that the Council had undertaken remediation work to ensure that the issues identified were solved. He outlined that the deficiencies in the Council's procurement processes would be addressed and that a specialist excavation investigation of the site had found that the contamination was very low risk and

could be properly contained. He re-iterated that the Council sought to offer a clear assurance that the site was safe and that the Council remained focused on the issues being rectified moving forward.

As a result of the discussion on the report moving to focus on information classified as exempt, it was agreed that the remainder of the meeting should be conducted in a closed session.

13. **Exclusion of Press and Public**

It was **RESOLVED** that the press and public be excluded until the end of the meeting as the remainder of the discussion on the Paddington Cemetery Groundwork item contained exempt information, as defined under paragraph 3 of Part 1, Schedule 12A of the Local Government Act 1972.

14. **Paddington Cemetery Groundwork (continued)**

The Chair invited Councillor Duffy to speak on the Paddington Cemetery Groundworks report. Councillor Duffy addressed the Committee and further discussion followed on the points raised. The Committee were reminded by the chief finance officer of the independence of the internal audit service. The Chair stated that the key was assurance for both the Committee and residents about the site moving forward and ensuring that the issues identified within the report had been fully addressed.


It was **RESOLVED** that:

- (i) The report, its findings and remediation actions taken by the Council be noted;
- (ii) Councillor Duffy and Michael Bradley would meet to discuss information about the investigation; and
- (iii) Subject to the general obligations contained within Paragraph Six of the Members Code of Conduct being upheld, Councillor Duffy be authorised to take away a hard copy of the restricted report.

The meeting was declared closed at 8.03 pm

DAVID EWART
Chair

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 Brent	Audit Advisory Committee 10 January 2018
	Report from the Chief Finance Officer
Objections to the Accounts Regarding the Payment to the Council's Former HR Director	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Conrad Hall Chief Finance Officer Email: conrad.hall@brent.gov.uk Tel: 0208 937 6529

1.0 Summary

- 1.1. This report sets out the outcome of the Objections to the accounts regarding the payments made to the Council's former HR Director, Cara Davani. It also sets out the recommendations made for improvement, all of which have been accepted by the Council.
- 1.2. There are legal restrictions on how personal information contained within the auditor's determination letters can be disclosed. The report sets out these restrictions in order to assure residents and others interested in the matter that the Council is being as transparent as legally possible about the matter.
- 1.3. It remains the Council's position that the sequence of events resulting in the unfair dismissal of Rosemarie Clarke reflect poorly on the organisation as it then was, and caused harm to the Council's former employee. Lessons have been learned and new procedures have been implemented and the Council hopes that with this report the long-standing matter may now be brought to a close.

2.0 Recommendations

- 2.1. That the Audit Advisory Committee note the three recommendations made by the independent auditor as set out at section five.

- 2.2. That the Audit Advisory Committee endorse the Council's response to the recommendations as also set out in section five.

3.0 Process for Objections

- 3.1. Any local elector has the right to object to their Council's accounts. They must do so in writing to the appointed auditor (KPMG for Brent Council) and in order to "accept" the objection certain minimum tests must be met, for example that the objection is not in respect of a clearly trivial item. The significant majority of all objections made nationwide are "accepted".
- 3.2. Once an objection is "accepted" it must be "determined" by the auditor. The process for this is largely at the discretion of the auditor, who must be able to obtain information, interview relevant people and so on as they see fit in order to reach a decision. Once an objection is determined it is communicated to the Objector and to the Council, typically to the Chief Executive and s151 officer.
- 3.3. There is a right of appeal to the High Court against an auditor's decision not to apply for a declaration that an item of account is contrary to law. Any such appeal must be initiated within 21 days of receipt of the determination. Although there is no right of appeal against an auditor's decision not to issue a public interest report, it is amenable to judicial review.

4.0 Summary of relevant events and the objections

- 4.1. The background to the Employment Tribunal decision in respect of the claim brought against the Council by Ms Rosemarie Clarke and subsequent events, including the payments made to the former HR Director, Cara Davani, are well known and so not repeated here.
- 4.2. Five Objections to the Council's 2015/16 accounts related to the exit payment made to the former HR Director were received in August 2016.
- 4.3. They were similar in nature but had slight differences. Each requested that a public interest report be issued by the auditor, and they also requested that the auditor declare items of account "contrary to law" and that arrangements be made for the recovery of payments made if any items were found to be "contrary to law".
- 4.4. Specifically the auditor was also asked to determine the following questions and/or to determine the following statements.
 - 4.4.1. *Was it reasonable to take disciplinary action in the first place against Ms Clarke?*
 - 4.4.2. *Was it reasonable to appeal the Tribunal verdict in the light of the Judge's comment that "Brent had no reasonable prospect of success?"*
 - 4.4.3. *Was it reasonable not to take disciplinary action against Ms Davani in the light of the Tribunal judgement?*

- 4.4.4. *Was it reasonable for Brent to pay all Ms Davani's legal costs and damages personally awarded against her?*
- 4.4.5. *Was it reasonable for Brent to make the exit payment of £157,610 to Ms Davani?*
- 4.4.6. *That a proportion of the total amount paid by the Council in the out-of-court settlement of the Rosemarie Clarke case, should have been the personal liability of the second respondent in that case, Cara Davani (the Council's former HR Director).*
- 4.4.7. *That a proportion of the Council's legal costs (both external and internal) in the Rosemarie Clarke case should have been recharged to, and paid by, Cara Davani personally, as a separate respondent in that case.*
- 4.4.8. *That the whole of the £157,610 "compensation for loss of office" paid to Cara Davani, and shown as part of the Senior Employees' Remuneration to 'Human Resources Director (to June 2015)' at Note 30 to the Council's draft accounts should be regarded as unlawful.*
- 4.5. The auditor's letters determining the objections were received on 5 December 2017 at 15:27. They were all sent to the Chief Executive and Chief Finance Officer, and the auditor will also have sent them separately to the objectors. As they were only received approximately three hours before the Audit Advisory Committee meeting of that date it was not possible to take appropriate legal advice in respect of the discussion at that meeting. This was therefore somewhat brief, and Members are referred to the minutes of that discussion on this agenda.
- 4.6. At that meeting council officers (and the auditor, Mr Andy Sayers, who was in attendance) were able to confirm that the objections had not been upheld, and that three recommendations for improvement had been made, all of which were agreed by the council.
- 4.7. The objection letters contain detailed personal information about former employees. The disclosure of this information is subject to general data protection and Human Rights Act (specifically, the right to private life under Article 8) restrictions. In all the circumstances, the public disclosure of the personal information is not considered to be necessary, reasonable or fair as the individuals concerned can claim to have a reasonable expectation of confidence and privacy.
- 4.8. Further, there is no overriding public interest reason justifying disclosure. There are legitimate public interests in ensuring openness, transparency and accountability. These interests, however, are achieved by this report which publicly reports the outcome of the objections and a commitment to implementing the recommendations.
- 4.9. There is also a specific but qualified restriction set out in the Local Audit and Accountability Act 2014 which makes it a criminal offence to disclose information about others which is obtained by an auditor unless an exception applies.

- 4.10. In addition to the information set out in this report, arrangements will be made for members of this Committee, in the full and proper exercise of their role, to inspect the objection decision letters should they wish to do so.

5.0 The auditor's recommendations and the council's response

- 5.1. These are set out below.

Recommendation	Proposed response
Where an individual makes a grievance against a specific member of the HR management team, an independent person should investigate any separate investigation against the individual who raised the grievance.	Agreed. This can be added as an amendment to the Grievance Procedure.
Where legal advice is obtained via telephone calls, this should be recorded formally immediately after the call and key issues confirmed with the solicitor.	Agreed. The Council's in house legal team will make records of advice provided by them as part of the usual case management process. The Chief Legal Officer can remind them of this. External solicitors should do likewise. Solicitors should proactively confirm in writing any significant advice. The Chief Legal Officer can also provide a note to CMT members to discuss at their DMT meetings emphasising the importance of making a note of legal advice and/or ensuring advice is confirmed in writing by legal advisers.
Where sensitive issues such as whether settlement agreements should be offered or whether disciplinary procedures should be taken against senior officers, notes of those meetings should be formally taken.	Agreed. A new procedure is already in place for settlement agreements to ensure that the reasons for (and arguments against) are considered carefully before entering into such arrangements. All senior staff have also been formally reminded of the need to document the reasons for decisions in a reasonable and proportionate way, and that a decision not to do something can be just as significant as a decision to do something. The Chief Legal Officer will circulate a Monitoring Officer Advice Note concerning this.

6.0 Financial Implications


- 6.1. Their hourly fees in dealing with objections are set by Public Sector Audit Appointments (PSAA, a subsidiary of the Local Government Association, which carries out the role of independently appointing auditors to local authorities), and are charged on to the council in question. In this case the cost of dealing with the Objections was approximately £17,500 plus VAT.

7.0 Legal Implications

- 7.1. These are contained within the report.

Report sign off:

CONRAD HALL
Chief Finance Officer

 Brent	Audit Advisory Committee 10 January 2018
	Report from the Chief Executive
Emergency Preparedness Cover Report	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Four: <ul style="list-style-type: none"> • Emergency Preparedness: A Task Group Report • Appendix A – Different types of incident and their command structure • Appendix B – Draft Emergency Planning 2020 Review (Local Authorities Panel) • Appendix C – ‘A Councillor’s guide to civil emergencies’ (LGA Guidance)
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Joanna Walton Head of the Chief Executive’s Office Email: joanna.walton@brent.gov.uk Tel: 020 8937 6879

1.0 Purpose of the Report

1.1 Following the tragic fire at Grenfell Tower, a joint task group was formed between members of the Audit Advisory Committee and each of the scrutiny committees, to assess Brent’s emergency preparedness. The attached report sets out the task group’s findings and recommendations.

2.0 Recommendations

2.1 That the Audit Advisory Committee comment on the recommendations set out within the task group report, and note that the report will be taken to Full Council on 22 January 2018 for further debate and consideration by all Members.

3.0 Financial Implications

3.1 None. None of the recommendations will incur significant cost to implement.

4.0 Legal Implications

4.1 None. The Council is currently fully compliant with all statutory requirements, and the recommendations set out in the attached report aim to improve on an already strong position.

5.0 Equality Implications

5.1 None.

6.0 Consultation with Ward Members and Stakeholders

6.1 The task group consisted of representatives from Audit Advisory Committee, Resources Scrutiny Committee, Housing Scrutiny Committee, and Public Realm Scrutiny Committee. All Councillors will have the opportunity to debate the report at Full Council on 22 January 2018.

7.0 Human Resources/Property Implications (if appropriate)

7.1 None.

Report sign off:

CAROLYN DOWNS
Chief Executive

Emergency Preparedness A Task Group Report

Chair, Cllr Ketan Sheth

Audit Committee, January 2018

Chair's Foreword

Over the spring and summer of 2017, terrorist incidents in Westminster, Manchester and London Bridge, and then the tragic fire at Grenfell Tower in Kensington, rightly put Emergency Preparedness at the forefront of minds of public servants across the UK. While the terrorist incidents in London were managed by individual Local Authorities with minimal need for support from their neighbours, the scale of the Grenfell Tower disaster required a pan-London response.

Over 100 Brent staff answered the call for mutual aid. They covered roles as diverse as working at the Borough Emergency Control Centre, advising affected individuals at one of the two assistance centres, social workers supporting affected families longer term, and Brent's own Chief Executive being temporarily loaned into the "Head Office" of the Grenfell Fire Response Unit to head up the Humanitarian Assistance response.

In light of the number and scale of incidents in 2017, the Audit Advisory Committee agreed there was a need to reassure itself of Brent's own emergency preparedness. Given the cross-cutting nature of incident response, it was felt that a task group should be drawn from across all three scrutiny committees and the Audit Advisory Committee.

This report outlines a number of Brent's strengths in this area, along with nine recommendations, many of which will have been implemented by the time other members receive this report. While we all hope that the people of Brent are spared any major incident, they can feel reassured that a strong foundations are in place should the council be called upon to respond.

I would like to thank all the members who were part of this group and the officers who supported this work.

Cllr Ketan Sheth

Chair of Community and Wellbeing Scrutiny Committee

Context

Statutory Obligations

Local Authorities are required by the Civil Contingencies Act (2004) to undertake the following seven activities:

1. **Co-operate with other category one and two responders** – which is achieved via Brent Borough Resilience Forum (BRF). The BRF isn't a separate legal entity, and isn't a responder in itself, but is the principle mechanism for multi-agency co-operation and co-ordination.
2. **Share Information to enhance coordination** – also achieved through the BRF, in addition to standard operational channels.
3. **Undertake Risk Assessments** – these are regularly reviewed and updated to provide a comprehensive assessment of the risks facing the borough, which are then monitored or mitigated appropriately. Risk Management can help to ensure that planning work is carried out in proportion to the risk.
4. **Create emergency plans for response** - risk assessments are used to decide which plans need to be developed and what should be included within them. The Minimum Standards for London (MSL) framework is used to guide this work, and to provide a benchmark for measuring standards of service, and we self-assess against this framework on an annual basis.
5. **Create and maintain business continuity arrangements** – the council's Business Continuity Programme ensures resilience to disruptions, incidents and / or emergencies when they occur.
6. **Maintain arrangements to warn and inform the Public in the event of an emergency** – the council maintains an Emergency Communications Protocol that is reviewed annually, and outlines methods for communicating with the public during emergencies.
7. **Provide advice and support on business continuity to businesses and the voluntary sector** – A Promotion Strategy is in place to encourage business continuity management (BCM) by Brent businesses, and the Council's website contains useful information for businesses wishing to enhance their resilience as well as a contact point for further support.

Responding to incidents

When an incident occurs, generally the immediate response is coordinated by "blue light" services such as Police or Fire. If necessary, they would lead a multi-agency response, membership of which would depend on the nature of the incident, but would likely include agencies such as Local Authorities, Health, and Transport. Each agency leads on the elements of the response that sit within their normal remit; for local authorities this may be services such as social care, provision of emergency rehousing, management of the public realm. Authorities are often commonly asked to use their buying power to secure resources that the Police and Fire Brigade may not be able to source. A simple way of summarising this is that the Authority is asked to "deliver normal services under abnormal circumstances".

The command structure which is put in place within the local authority in order to achieve this differs dependent on the scale of the incident, and are attached at Appendix A.

During 2017, the Civil Contingencies team dealt with 22 separate incidents in total, of which 20 were relatively minor and only affect a handful of residents;

- 13 domestic house fires, floods, or explosions
- 4 incidents on industrial or commercial sites
- 3 localised issues such as power cuts, storms and burst water mains

The final two were Brent's support of the Grenfell Tower response, and the unexploded bomb in Brondesbury Park.

In most cases the incidents were dealt with by the Emergency Duty Officer within the Civil Contingencies team liaising with blue light agencies. The Emergency Duty Officer provided updates, and where necessary took instruction directly from the Chief Executive. In eight cases, the incidents were severe enough to require a Local Authority Liaison Officer to be dispatched in order to be the eyes and ears on the ground. A further five required establishment of a Rest Centre, though with the exception of the WW2 bomb this was small scale; less than ten residents. Seven required us to temporarily rehouse a small number of residents.

London-Wide Support for Emergency Planning

All London Councils are supported in their Emergency Planning functions by the London Resilience Group, which is hosted by London Fire Brigade, and jointly funded by the Brigade, local authorities and the Greater London Authority.

London Resilience is a centre of excellence, which provides a secretariat function to regional forums, supports local authority emergency planning and response, and supports pan-London arrangements if there is major incident in the capital. They also coordinate the annual self-assessment of all local authorities against the Minimum Standards for London criteria.

Best practice and review

London Resilience also support the Local Authorities Panel, which last year collectively reviewed Emergency Planning capabilities across London, and generated a series of recommendations for implementation both at Regional and Local level in order to ensure collective capabilities and resilience remains fit for purpose into the 2020s. The full copy of this report is attached at appendix B.

Many of the recommendations are strategic in nature, and applicable to the regional level, and will be implemented through London Resilience and the various regional structures. Of those that were applicable at the local level, many had already been implemented by Brent.

Summary of recommendation	Brent's position
Emergency Planning Teams should be placed within a central / corporate directorate	The Civil Contingencies team sits within the Resources directorate, alongside other corporate services
Business Continuity should be incorporated into Emergency Planning Teams	Brent has always combined these two functions
Enhance cooperation at sub-regional level to ensure an equal contribution by individual boroughs to regional planning	Brent has always contributed to regional work, being a lead borough for LALO2 training across London and being a member of the Mass Fatalities Coordinating Group by virtue of our mortuary being a designated disaster mortuary for the North Coronial area. Additional elements of regional work have been agreed at sub regional level and the West London sub regional

	grouping of boroughs has agreed a work plan to reflect this.
Chief Executives must ensure they are prepared to assume the London Local Authority Gold (LLAG) role	Carolyn Downs has been on the LLAG on-call rota on a number of occasions, and assumed a deputy Gold role at the Grenfell Tower Response Unit. In addition, members of the support team are trained and on-call rotas are put in place for Brent's periods of LLAG duty
Chief Executives to continue to support and monitor the effectiveness of MSL as the assessment criteria of London's collective preparedness	Council Management Team is responsible for approving the annual self-assessment against MSL before it is submitted

In addition to the Local Authorities Panel report, the panel has also commissioned a peer review of London Local Government's Collective Resilience Arrangements. The report will be submitted to the Local Authority Panel and the London Councils Leaders' Committee in early 2018.

The areas of focus will be London local government's collective arrangements, working with other partners, to support London's overall resilience. It will consider this in the context of the EP2020 Prospectus and the degree to which, given the experience of a range of incidents during 2017, that continues to provide assurance about London local government's collective work. It will not focus on the performance of any individual authority, nor will it seek to cover the same territory that is being examined by specifically constituted debriefing exercises and inquiries into particular incidents.

Methodology

Given that the task and finish group's work crossed the remits of the council's Audit Advisory Committee, and the overview and scrutiny committees, its membership was drawn from all of these as they stood at the time of the group's inception. This was as follows:

- Councillor Ketan Sheth (Community and Wellbeing Scrutiny Committee) – Chair
- Councillor Rita Conneely (Community and Wellbeing Scrutiny Committee)
- Councillor Patricia Harrison (Housing Scrutiny Committee)
- Councillor Reg Colwill (Housing Scrutiny Committee)
- Councillor Ernest Ezeajughi (Resources and Public Realm Scrutiny Committee)
- Councillor Neil Nerva – (Audit Advisory Committee)

The group was supported by the Chief Executive and the Strategic Director for Resources, as well as officers from their departments, including expert advice from the Civil Contingencies Manager. It met four times from September to November 2017, and considered a range of evidence, including key local emergency planning documents; information on rest centre provision; examples of the role members could play in the event of a civil emergency; and relevant training opportunities for members and officers.

The group also heard from the council's Head of Digital Services about the resilience of its IT systems; and from the London Resilience Forum's Deputy Head of Emergency Planning, on the Minimum Standards for London, how Brent had assessed itself against these and how it compared with other London boroughs.

In addition, the group received updates on meetings of the council's Senior Managers Group, and the council's partners in Wembley Park, on plans and readiness for civil emergencies. Members further took part in a number of fictional emergency scenarios to discuss appropriate responses, as well as having the opportunity to visit the Control Room in the Civic Centre, which is used as the Borough Emergency Control Centre in an emergency.

Findings

Brent has much to be proud of in terms of its emergency preparedness. It is one of only a handful of London boroughs to have a dedicated facility set up to run an incident response; all the necessary plans are in place and subject to regular review, annual assessments against other London-wide criteria are positive, and the Authority has a strong reputation for dealing effectively with low level incidents.

On the few occasions Brent has been tested by larger incidents, such as the unexploded bombs found in Wembley and Brondesbury Park in recent years, the response has been well coordinated, and residents of the borough have been kept safe and reassured. The task group also heard that in some areas, such as identifying vulnerable residents in an emergency, Brent is seen as an example of best practice, and is often called upon to demonstrate its methodology to other boroughs.

There is recognition that there is always room for improvement, and the task group have reviewed best practice, and considered advice from a variety of sources in coming to the recommendations laid out in this report.

Leadership during an incident response

The task group reviewed the command structures for different types of incident (attached at Appendix A), and gained a better understanding of the roles of incident Gold, Silver, Local Authority Liaison Officers, and the role played by the Borough Emergency Control Centre (BECC) during an emergency.

They noted that the infrequency of major incidents in the borough, and the relative frequency of lower level incidents which are managed solely by the Civil Contingencies team in liaison with the Chief Executive directly, may have given rise to an inadvertent lack of visibility and ownership within the wider Senior Management Team. The handful of trained Silver Officers across the authority have thus far been sufficient to respond to the rare larger incidents. However during their debrief, London Resilience warned of the danger of reliance on voluntary resources. They advised that many boroughs have reviewed relevant job descriptions to ensure that the responsibility of managers to be part of an emergency response is explicit, and embedded throughout every part of the organisation.

Recommendation 1: On-call rotas should be put in place to formalise the arrangements for incident Gold and Silver, ensuring that suitable training is provided, and job descriptions and payment arrangements are updated accordingly.

The group noted that many boroughs commission bespoke training for all the senior managers who would be involved in a command structure from a branch of the Cabinet Office called the Emergency Planning College, and that feedback from those boroughs on the value and quality of this training has been very positive.

Recommendation 2: That the Emergency Planning College be commissioned to create a bespoke training package to be delivered to the Senior Management Team, specific to the various leadership roles in the command structure, with refresher training to be made available every two years.

The task group also gave consideration to the role of elected members during an emergency response, noting that while it was not the role of Councillors to get involved in the strategic, tactical or operational coordination and delivery of response or recovery, they had an

important role in providing highly visible community leadership, and in confidence building and engagement with affected individuals. In particular the group highlighted that the presence of local ward Councillors and the Leader of the Council at the rest centre during the unexploded bomb in Brondesbury had a very positive impact, and provided affected individuals with significant reassurance.

The group agreed that the LGA booklet “A Councillor’s guide to Civil Emergencies” (attached at Appendix C) reflected this well and should be used as the basis of improving understanding of the role with members outside of the task group.

Recommendation 3: There should be induction training for Councillors on their role in Emergency Response, which should include a visit to the BECC, and explanation of communications protocols so Councillors know how they will receive information during an incident. Refresher training should be made available every two years.

Operational readiness

The council is fully compliant with its statutory obligations. Where local versions of emergency plans are required by legislation, they are in place and are subject to regular review. However, the feedback from the Senior Manager’s Group session that was considered by the task group highlighted that in some areas, operational managers were not always sufficiently aware of their role. It was also noted that in isolated cases, the practical elements needed to enact those plans either weren’t in place, or that managers may not have been aware of them. Some examples of this might be questions over whether sufficiently flexible commissioning arrangements are in place to quickly decant a care home with a large number of residents with different vulnerabilities, or whether communications cascades were sufficiently up to date with staffing changes.

This was not felt to be a significant cause for concern, given that an emergency response is fundamentally the council “delivering normal services in abnormal circumstances”, but the group did agree that greater departmental ownership of plans would help to deliver greater consistency in understanding of plans and ensure regular review of the practical arrangements laid out within them.

Recommendation 4: That emergency plans are reviewed within the relevant departments, to ensure that the necessary operational arrangements are in place in order to be able to enact them quickly.

Recommendation 5: In order to ensure regular and detailed review at an operational level, existing arrangements for review and sign-off of all plans should be amended so that departments have full accountability for their relevant areas of responsibility.

The group also discussed the importance of exercises as a means of testing plans and ensuring operational readiness, and noted that the Civil Contingencies team regularly conduct two types of drills. The first type is an activation test, which alerts people to an incident and checks their theoretical response time. The second is an annual rest centre exercise which covered the aspects of setting up and running a centre. The latter requires significant resource to organise, and incurs significant cost if external bodies such as the Emergency Planning College are brought in to deliver it, and as such it was felt that table-top exercises and scenario testing were the most feasible way of testing readiness and highlighting issues.

Recommendation 6: That the Civil Contingencies team continue its existing arrangements for exercises, but through its existing training, expands the programme of table-top exercises

with both operational managers, and those that would form part of the command structure in a major incident.

One specific area of operational readiness that the group expressed some concern about was the provision of emergency shelter. While the group noted that the Civil Contingencies team has relationships with around 30 venues throughout the borough, and has never had a problem sourcing a rest centre within a reasonable locality of an incident, they still expressed concern that centres may become unavailable as a result of alternative bookings, or as a consequence of the significant amount of regeneration in the borough.

The group also considered that in certain circumstances, overnight accommodation within a rest centre environment may not be the most appropriate option, and that while there is no statutory obligation to provide it, hotel accommodation may be more suitable. It considered the specific issues around sourcing hotel accommodation in Wembley on event days, and heard that some boroughs had pre-existing contractual arrangements with hotel chains to facilitate mass placement of evacuated residents.

Recommendation 7: That the rest centre list be reviewed and refreshed with input from members and their community contacts, and that arrangements be put in place with hotels within the borough to ensure that block bookings could be secured at short notice if needed.

Working with partners

Brent is home to three sites that are classed as high-risk by national counter terrorism police; Wembley Stadium, the SSE Arena, and Neasden Temple. Given that any incident affecting the stadium or arena would also affect the Civic Centre, it was felt that the additional complexity of this made close relationships with partners in Wembley particularly important.

The task group received an update on a recent meeting with all the Wembley park partners and blue light services at a strategic level, and was in support of their joint decision to undertake a two-hour table top exercise to discuss potential scenarios specific to Wembley. It also noted that strong relationships also existed through the Civil Contingencies team at an operational level, and that all organisations had committed to continuing to maintain and update the lists of key contacts that were shared between them all.

The task group considered issues such as dispersal from the Wembley area following an incident, but noted that the Council had no statutory obligations in this respect, but could potentially assist with traffic management, sheltering affected individuals until transport could be arranged, and liaison with emergency services partners and transport operators.

Recommendation 8: That close relationships be maintained at a strategic and operational level with the Wembley park partners, and that an update on the table-top exercise be included within the report to the audit committee. That contact is made with Neasden Temple to ensure that the relevant contacts are in place.

Monitoring & Evaluation

The group felt that while the risks around emergency preparedness appeared to be well managed, that the impact of any mishandling of an emergency response was sufficiently great that it ought to suggest that the Audit Advisory Committee undertake an annual review of emergency preparedness. It noted that the Audit Committee could obtain objective and

independence assurance on the effectiveness of the council's Emergency Planning Framework, and any training that had been conducted throughout the year, through the Internal Audit team, and that the Head of Internal Audit would be proposing inclusion of a review within the 2018/19 internal audit plan. The group also felt that given the wide-reaching nature of any such incident within the borough, an update should then be provided to Full Council in such a way that it enabled debate to take place.

Recommendation 9: That Internal Audit carry out a full review of Emergency Planning 2018/19, with a follow up report in 19/20 as per the usual audit protocol, after which the Audit Committee should give thought to how regularly the function needs to be reviewed going forward. Following the Audit report, an update will be provided to full council in order to enable debate.

Action Plan & Progress to Date

This task group has been running concurrently with a number of internal activities, and as such significant progress has already been made over recent months towards achievement of some of the recommendations outlined within this report.

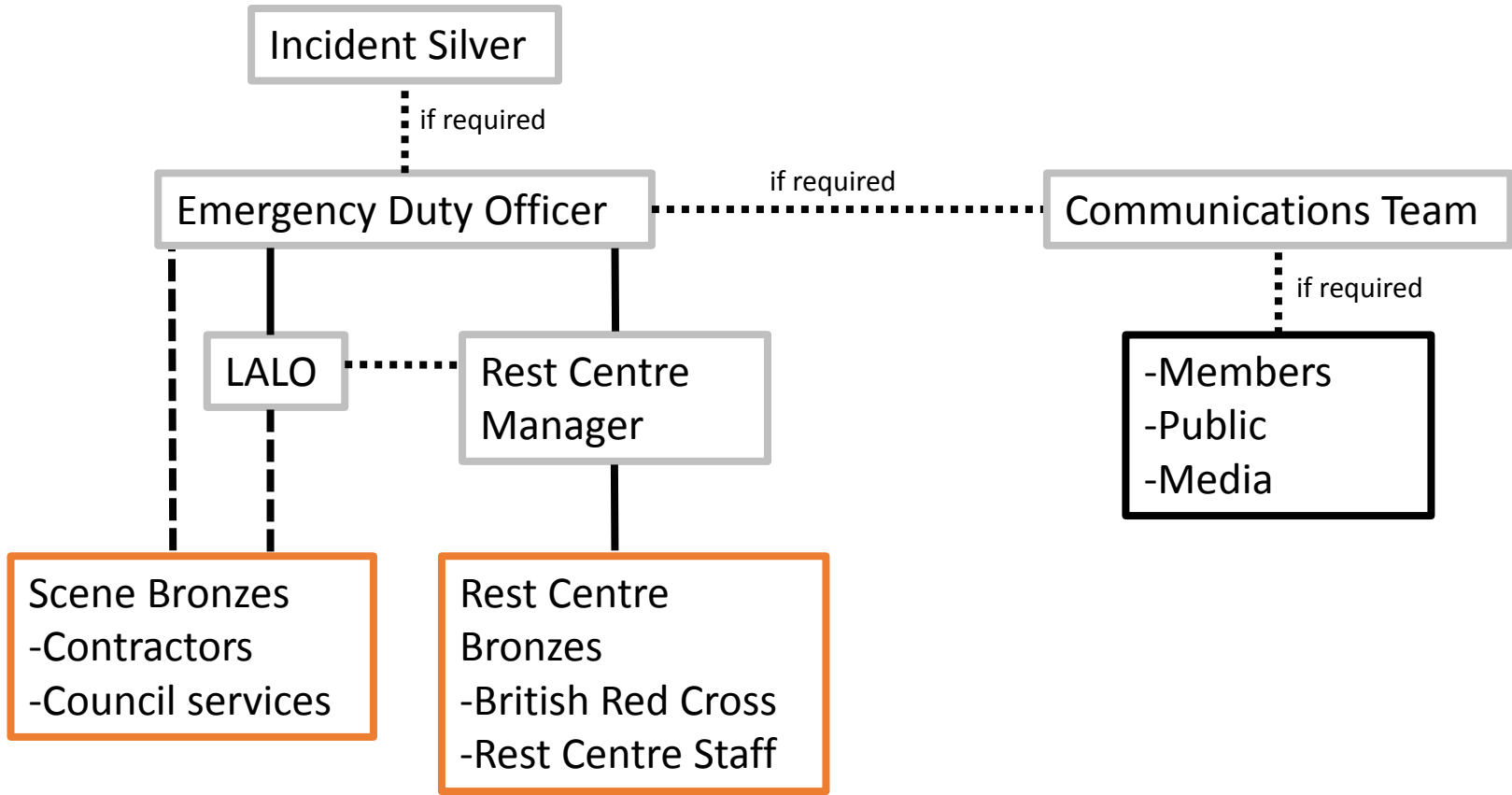
- (1) **On call rotas:** 15 senior managers have been trained as incident Silver, and an on-call rota has been in place since 20 November 2017. It has been established that there is not a need to update job descriptions for those on Chief Officer terms, who currently make up the rotas for the command structure.
- (2) **Training:** The Emergency Planning College have been contacted and are due to provide an overview of their training proposals in January.
- (3) **Member Training:** Member induction content has been revised, and has been included within the brief for the Emergency Planning College as well.
- (4) **Departmental Review of operational plans:** Plan owners within each department will work with the Civil Contingencies team to bring together the relevant services to review how each would be delivered. For the most important plans, this exercise will be complete by the end of February.
- (5) **Ownership of Plans:** a revised matrix setting out ownership and review of the various plans was agreed by Council Management Team on 5 October 2017. Closely aligned to recommendations 4 and 6, the series of planned exercises will further embed this.
- (6) **Table top exercises:** As mentioned above, familiarization sessions and table top exercises will commence in 2018, and will be regularly repeated going forward as part of the existing programme of training and reviews. A specific session with blue light services and Wembley park partners is scheduled for 30 January 2018.
- (7) **Emergency Accommodation:** Members have been encouraged to feed suggestions and contacts in to the Civil Contingencies team via the Member's Bulletin, and additional Rest Centres have been identified in areas where there were gaps in geographical coverage that have been added to our list. Five hotel chains have been identified as preferred providers, and officers have met individually with them to discuss our requirements. All are keen to assist, not only with accommodation, but also any other facilities or services that are required, such as emergency shelter, food and drink etc.
- (8) **Wembley Park partnerships:** The multi-agency contact list is regularly updated and a table top exercise is scheduled for 30th January 2018.
- (9) **Monitoring:** This report will be discussed at Audit Committee on 10 January 2017, and at Full Council on 22 January 2017. The topic has been added to the annual audit plan and will be carried out in 2018/19, after which point the Audit committee can discuss how regularly the function ought to be reviewed.

Background Documents

Appendix A – Different types of incident and their command structure

Appendix B – Draft Emergency Planning 2020 Review (Local Authorities Panel)

Appendix C – ‘A Councillor’s guide to civil emergencies’ (LGA Guidance)

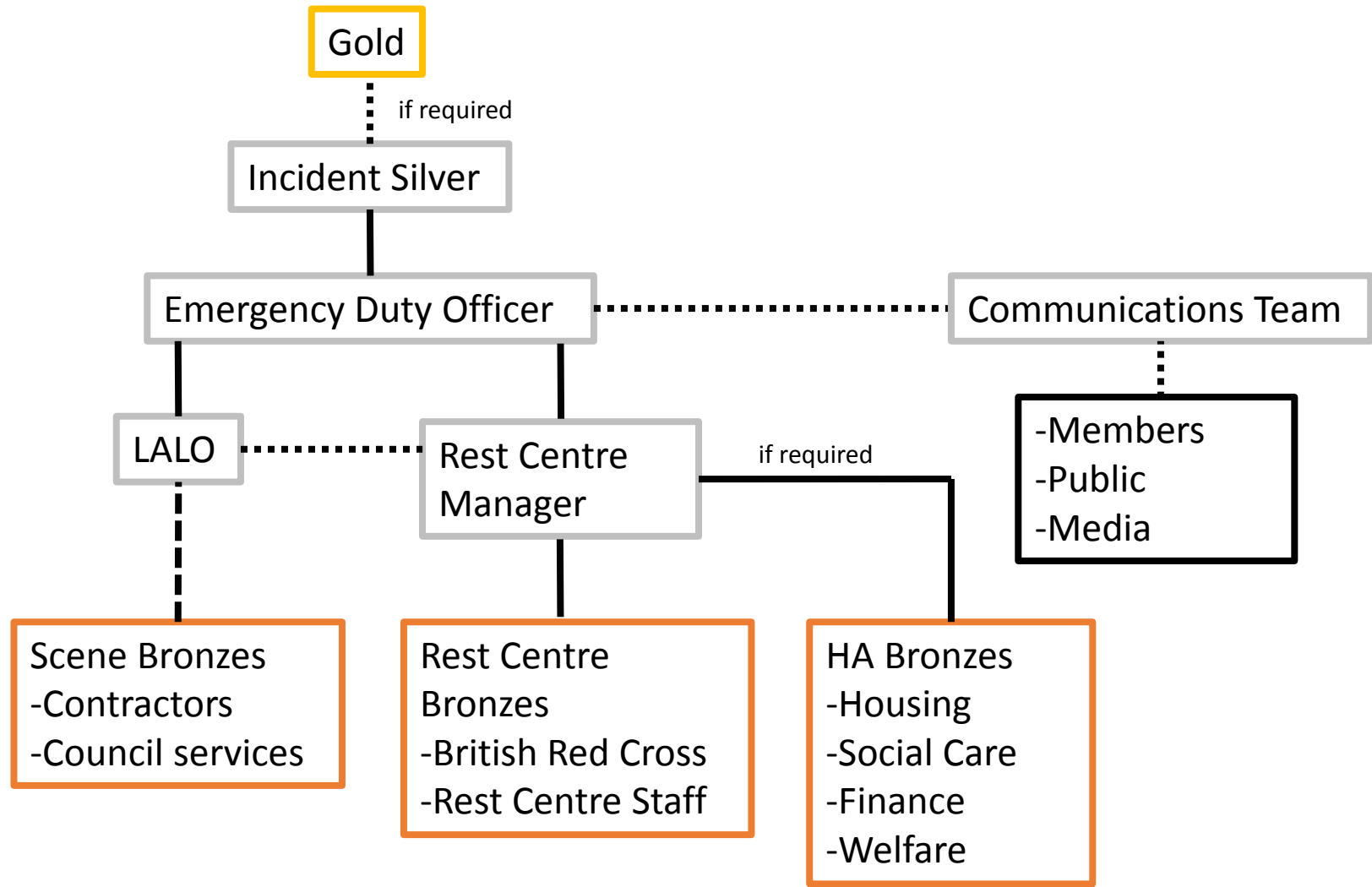


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A Level 3 type incident

Examples

1. House fire, no casualties with or without short term evacuation of small numbers of people
2. Burst water main, no evacuations, no property flooding, road closures and debris clearance

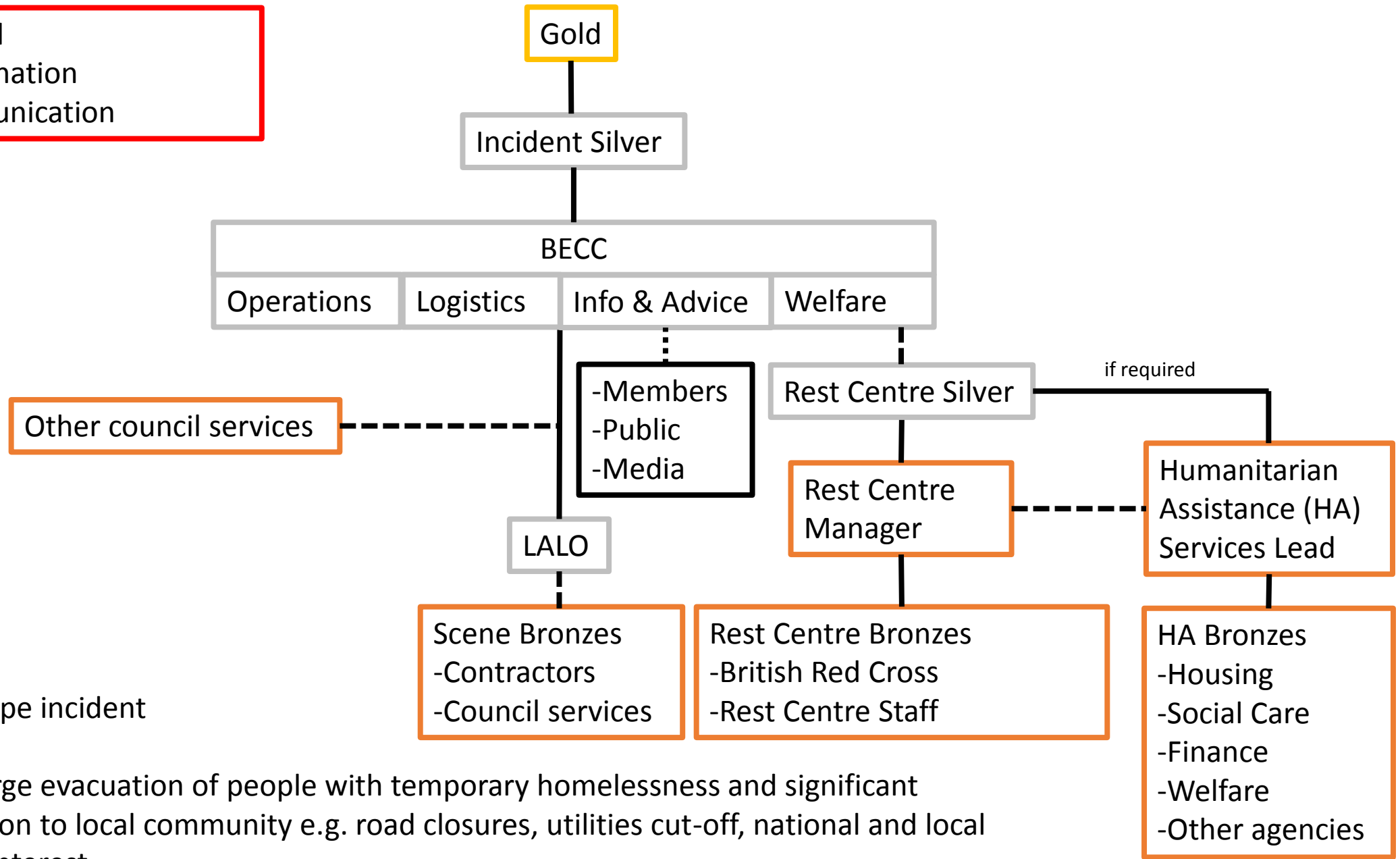
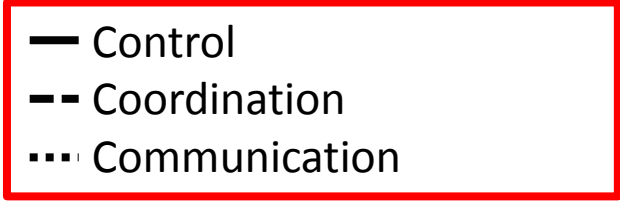


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A Level 2 type incident

Examples

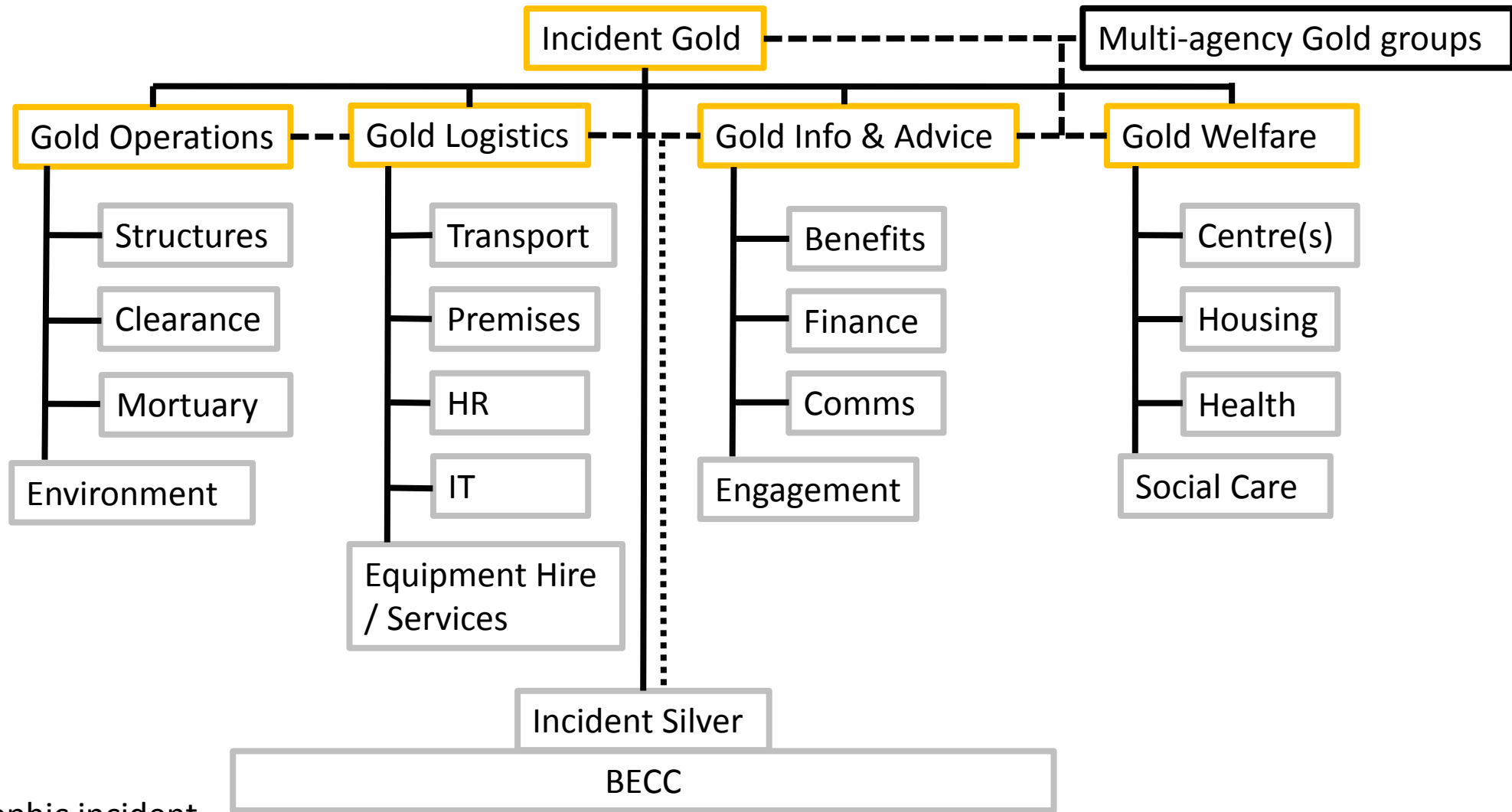
1. Multiple house fire, evacuation of people with possible homelessness and disruption to local community e.g. road closures, utilities cut-off, possible local media interest



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A Level 1 type incident
Examples

1. UXB, large evacuation of people with temporary homelessness and significant disruption to local community e.g. road closures, utilities cut-off, national and local media interest



A Level 1 plus type catastrophic incident

Examples

1. Explosion or building collapse with numbers of fatalities and casualties, significant infrastructure damage, large evacuation of people with permanent homelessness or displacement and protracted significant disruption to local and wider community with intense media interest

Recommendations for Local Government Emergency Planning and Resilience for the 2020's

Date: 3rd October 2016
(Draft v0.7)

Author: Mark Sawyer, Local Authority Panel Secretariat.

Supported by: David Kerry, Technical Advisor to the Local Authority Panel
Doug Flight, Head of Strategic Policy Group, London
Councils



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Executive Summary

Introduction and Background

This review has been commissioned by the Local Authority Panel to assess the status of local authority emergency planning in London. This necessity arises from recognition of the heightened pressure our authorities are facing and increases in risk. The aim of this review is to suggest steps necessary to efficiently reinforce the service and ensure we can continue to provide effective individual and collective leadership on resilience into the 2020's.

The scope of this review includes; Duty London Local Authority Gold arrangements, contingency planning and operational response functions, arrangements supporting collaborative working, and the means of sharing scarce resource. The two elements excluded are; the London Local Authority Gold Resolution and the principle of all 33 chief executives participation in the London Local Authority Gold rota. This is due to their proven effectiveness to underpin the collective and coordinated approach of authorities to significant incidents.

To support this review, *'The review of resilience arrangements in London: interim findings'* produced in 2014 by Matthew Norwell was considered along with Emergency Planning Monitoring Reports and annual Minimum Standards for London assessments. In addition, the thoughts, case studies and anecdotal evidence provided by experienced emergency planning professionals has proven to be extremely helpful.

Overall Assessment

There is a developing trend of reduced capacity and capability across London. The ability of our authorities to discharge a leadership role on resilience to the level communities would expect and deserve is under strain. To prevent further degradation of the service and potentially expose ourselves to undesirable levels of risk, this report suggests a number of actions chief executives may wish to consider to bolster the service and enhance resilience. The recommendations identified during this review aim to:

- Establish a corporate resource of professional advice, support and oversight, where not already established, to support authorities to withstand increasing pressures and ensure chief executives have ready access to high quality corporate advice and support in their localities;
- Strengthen collaborative working to better utilise experience, knowledge and expertise;
- Support a more cost effective and efficient service;
- Increase opportunities to share scarce resource;
- Create a more robust Duty London Local Authority Gold arrangement. which will further compliment our leadership on resilience role and participation at the heart of London strategic coordination;
- Establish a more robust and meaningful assurance process to improve corporate oversight.

Full List of Recommendations

Corporate Policy

Recommendation 1: Consideration should be given to developing a corporate resource of professional advice, support and oversight. This might best be achieved by developing and broadening the role of Emergency Planning Teams to encompass support and oversight of:

- a) Organisational compliance with the Civil Contingencies Act (2004);
- b) Organisational compliance with Minimum Standards for London;
- c) The organisations ability to effectively respond to a localised incident;
- d) The organisations ability to maintain critical services in the lead up to and during emergencies as required by the Civil Contingencies Act and supported by the International Standard for Business Continuity ISO 22301.

To support this aim, consideration should be given to locating emergency planning teams within central directorates or ensure effective lines of reporting and communication are in place to enable them to deliver effective professional corporate level support.

Recommendation 2: To support a co-ordinated and efficient approach to maintaining organisational resilience at a time when efficiencies are imperative, consideration should be given to incorporating business continuity functions into the core duties of emergency planning teams, where this is not already the case.

Governance and Planning

Recommendation 3: Common Standards for London Local Authority Emergency Planning Professionals, reflecting core competencies, should be adopted as a matter of policy by all local authorities and then continuously reviewed to support staff recruitment, development and service delivery.

Recommendation 4: A Sub-Regional Lead Local Authority should be identified to co-ordinate enhanced collaboration and support a more equal contribution and benefit from sub-regional and regional operational and contingency planning. This arrangement should be underpinned by an output based Service Level Agreement and reviewed against clearly defined success criteria every two years.

Recommendation 5: Local Authority Panel Implementation Group (LAP IG) members should accept a more proactive role in:

- a) managing the three year Local Authority Panel Business Plan and co-ordination of sub-regional activity to ensure a balanced distribution of work;
- b) agreeing with respective peers in each sub-regional group the appropriate means of delivering allocated workstreams in accordance with the Service Level Agreement.

Duty London Local Authority Gold Arrangements

Recommendation 6: Local Authority Panel (LAP) membership should carry with it the expectation that members will:

- a) be the local authority representatives on a cadre of multi-agency strategic leads available to Chair Strategic Coordination Groups;
- b) undertake multi-agency training to an accredited standard to prepare them to Chair Strategic Coordination Groups;
- c) step in as London Local Authority Gold (LLAG) when necessary to ensure consistency of representation and ease the transition of Chairing the Strategic Coordination Group from the Metropolitan Police Service or other partner agency to local authorities;
- d) where appropriate shadow the Strategic Coordination Group Chair to ease transition prior to accepting responsibility.

Recommendation 7

All chief executives should wherever possible shadow the current LLAG prior to taking over the role during an incident.

Recommendation 8

All chief executives should attend periodical training events delivered by accredited trainers and participate in a structured exercise programme to prepare them to undertake London Local Authority Gold duties.

Borough Response Capability

Recommendation 9: All local authorities should support the standardisation work currently being progressed and adopt consistent protocols and procedures for core response functions when published.

Recommendation 10: In order to mitigate any reduction in resource available to support an organisational response, a further piece of work should be initiated to consider the means of:

- a) identifying local authority roles which possess the requisite core competencies to support operational response and recovery functions;
- b) identifying the means by which staff undertaking the roles can be incorporated into operational plans;
- c) ensuring staff are available to undertake the requisite level of training and exercises and are released to undertake response roles during emergencies.

Assurance

Recommendation 11: The means by which Minimum Standards for London are formally audited should be agreed by chief executives to offer them the single means by which London local authority emergency planning is accurately assessed.

Recommendation 12: Minimum Standards for London should be realigned to more accurately reflect service requirements:

- a) Immediate Response Capabilities (covering both local and LLAG operations);
- b) Contingency Planning to develop capabilities to deal with acute shocks;
- c) Business Continuity Planning and Corporate Assurance;
- d) Longer Term Resilience Strategies to provide resilience for chronic stresses.

Recommendation 13: All Minimum Standards for London results should continue to be consolidated to offer an annual assessment of capacity and capability and include the means by which urgent concerns can be escalated to chief executives.

Recommendation 14: Greater detail should be added to Minimum Standards for London pertaining to immediate response capabilities, including clearly defined measurable criteria to offer meaningful assurance such as baseline numbers of trained staff, defined response times and length of operation to be sustained, to define the level of capacity and capability to be maintained by local authorities to address local incidents.

Conclusion

Given the heightened challenges that we face and understanding of the pressures on our services, it will be important to move as swiftly as possible to start to put a stronger and more resilient framework in place.

By implementing the steps detailed in this report, capability and capacity will be enhanced, with added strength and depth established locally and regionally. This will ensure all local authorities are in the most resilient condition to efficiently and effectively deliver individual and collective leadership on resilience with confidence, into the 2020's.

Finally, it is understood that the proposals contained in this report will compliment the Lord Harris review but we should anticipate a further short review will be required following the formal release of his findings. This will allow chief executives to be assured that areas additional to those covered by this review or further opportunities to enhance our individual or collective resilience are duly considered.

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Main Report

1. Introduction

In order to provide the reassurance that our communities deserve, this report sets out a series of steps that London chief executives are asked to consider, to strengthen our individual and collective leadership on resilience, at a time of increasing expectations.

This strengthened response is required to help meet the responsibilities placed on authorities, at a time when localities are facing heightened challenges in terms of both security and broader resilience planning. These challenges, including emerging risks such as cyber attack, terrorism and demands presented by the UK Government counter-terrorism strategy (CONTEST) and climate change, come at a time when local authorities face resource constraints which have crystallised in the reduction of staffing resources dedicated to emergency planning.

The recommendations set out in this report provide a framework for planning and response which will allow us to assure local communities, business and partners that local authorities have the necessary capacity and capability to respond to the risks and threats that we face.

2. Background

For some time the Local Authority Panel has been aware of increasing stresses and demands on the emergency planning service. As a result the Local Authority Panel implemented measures to maintain oversight of the changing local authority landscape and the functioning of emergency planning within London. These measures included:

- Commissioning Matthew Norwell in 2014 to review the status of local authority emergency planning in London; see Annex A - Norwell Review Interim Findings and Proposals.
- Review of London Emergency Planning Monitoring Reports collated by London Fire Brigade Emergency Planning;
- Annual review of compliance with Minimum Standards for London.

In anticipation that the stresses and demands will continue to grow, this further review was commissioned.

3. Review Findings and Recommendations

3.1 Corporate Policy

3.1.1. *Emergency Planning Service*

Emergency Planning staffing levels are at the lowest point since 2009, with a downward trend established since the 2012 Olympics, see Fig 3.0 and Fig 3.1. This reduction combined with continuing demand for efficiencies across authorities has the potential to significantly affect our ability to satisfy the expectations of our communities and assure them that we possess the appropriate means to prepare and respond, where necessary, to the myriad of resilience challenges that need to be addressed. This includes our ability to deliver effective authority wide support to our communities and develop a culture of community resilience across our localities.

Fig 3.2 Ratio of Emergency Planning Staff per Head of Residential Population

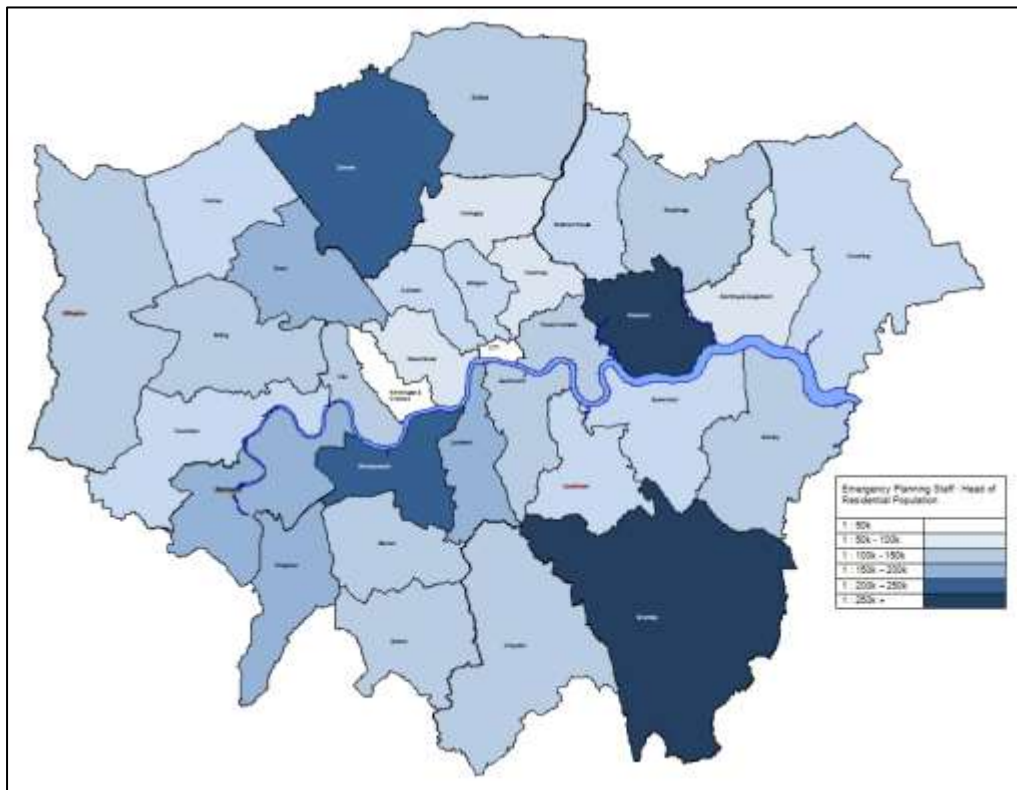
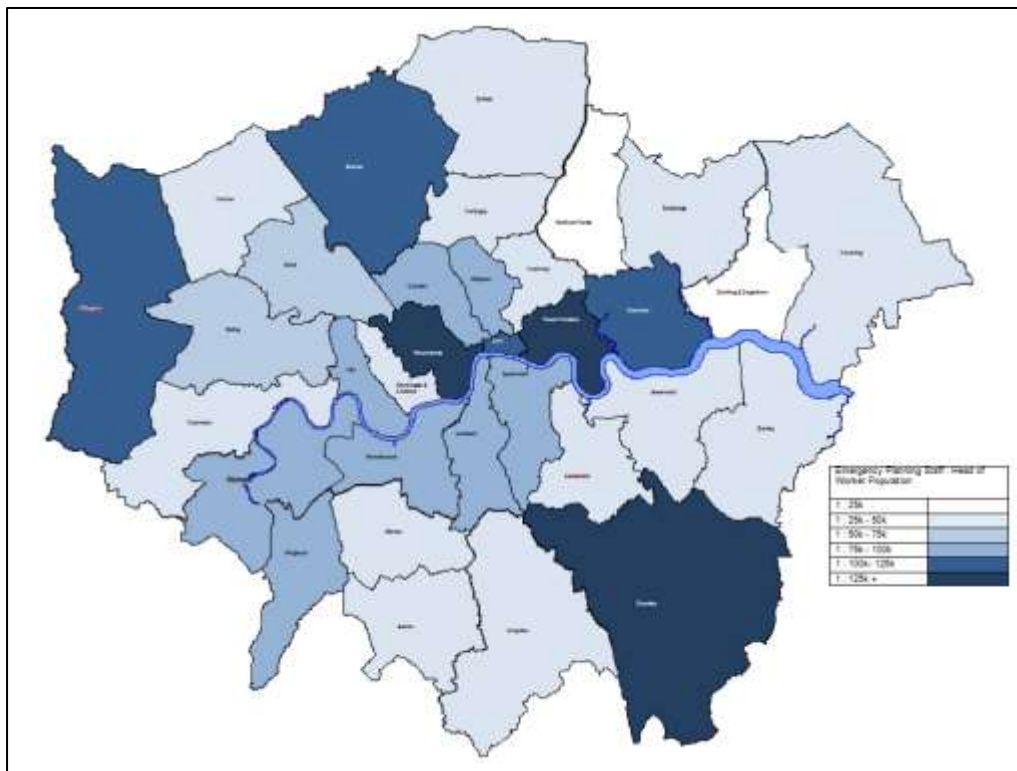


Fig 3.3 Ration of Emergency Planning Staff per Worker Population



Given the need to support our communities in this critical field, chief executives will be mindful of the need for ready access to high quality professional contingency planning advice and support in their localities.

This review has identified that centrally located emergency planning teams may be better positioned to work with and alongside risk management, audit and scrutiny services, in providing a high level of corporate assurance of resilience. By adopting this approach, where not already established, the resilience agenda, including developing a culture of community resilience within localities, will remain close to chief executives. At the same time, central positioning of teams will enhance their corporate oversight of internal structures and changes to the local landscape. This position will also support the delivery of resilience functions through efficient use of corporate resource, people and processes.

Norwell commented in his review: *"It is clear that local authorities should not merely rely on emergency planning teams to manage resilience; instead, an emergency planning team's role should be to ensure that every part of a local authority understands its role and responsibilities in respect of resilience, incident management and business continuity."*

Recommendation 1

Consideration should be given to developing a corporate resource of professional advice, support and oversight. This might best be achieved by developing and broadening the role of Emergency Planning Teams to encompass support and oversight of:

- a) Organisational compliance with the Civil Contingencies Act (2004);
- b) Organisational compliance with Minimum Standards for London;
- c) The organisations ability to effectively respond to a localised incident;
- d) The organisations ability to maintain critical services in the lead up to and during emergencies as required by the Civil Contingencies Act and supported by the International Standard for Business Continuity ISO 22301.

To support this aim, consideration should be given to locating emergency planning teams within central directorates or ensure effective lines of reporting and communication are in place to enable them to deliver effective professional corporate level support.

3.1.2. Organisational Resilience

The importance of our authorities being in the best possible condition to confront internal and/or external acute shocks and chronic stresses is intrinsically linked to our ability to maintain critical services and deliver a resilient response capability to support our communities. With this in mind, chief executives may wish to consider the efficiency opportunity presented by synergies in skills sets between emergency planning and business continuity professionals and the critical relationship that exists between them. By merging functions, if not already done so, opportunities exist to create a common language and single set of processes. Ultimately this would go some way to creating organisational resilience instead of authorities merely possessing business continuity plans.

By adopting this proposal, an integrated and mutually supportive approach to meeting statutory requirements would ensue. This would be further enhanced by adherence to general concepts contained in International Standards for Business Continuity ISO 22301 and reduced corporate risk by creating a single point of assurance for critical resilience within authorities.

Recommendation 2

To support a co-ordinated and efficient approach to maintaining organisational resilience at a time when efficiencies are imperative, consideration should be given to incorporating business continuity functions into the core duties of emergency planning teams, where this is not already the case.

3.1.3 Emergency Planning Personnel

Chief executives will be mindful of the need to ensure their stewardship of the resilience agenda is ably supported by competent and motivated professionals. In light of broadening and complex challenges, an opportunity exists to reflect on the necessary attributes required to offer high quality advice and support in our localities. Building on the considerable experience and knowledge currently held by emergency planning teams, it is proposed that common standards for emergency planning professionals are developed and adopted as a matter of principle by all authorities.

The benefits of this approach include:

- assurance of professional competency;
- high quality and consistent emergency plans and procedures; and
- increased capacity to share professional advice and support during protracted incidents.

Recommendation 3

Common Standards for London Local Authority Emergency Planning Professionals, reflecting core competencies, should be adopted as a matter of policy by all local authorities and then continuously reviewed to support staff recruitment, development and service delivery.

3.2 Governance and Planning**3.2.1 Current Assessment**

Minimum Standards for London were introduced in 2007, comprising 16 standards designed to ensure that all local authorities had the appropriate policies and procedures in place to support the London Local Authority Gold (LLAG) arrangements. In 2009, a second tranche of Standards were published detailing the specific requirements of plans and capabilities each authority should maintain. These plans and capabilities range from generic emergency response functions to humanitarian assistance and excess deaths plans.

A review of Minimum Standards for London assessments conducted annually reveals a minimal downward trend in immediate operational response capabilities. Of concern, however, is a significant downward trend in meeting standards relating to plans and capabilities.

These results demonstrate that available resources are focused on maintaining immediate onset capabilities, such as shelter, evacuation and flooding. Slow onset capabilities, such as pandemic flu and excess deaths, and resource intensive capabilities, such as community resilience and business continuity promotion, receive considerably less attention. See Fig 3.4 and Fig 3.5.

Fig 3.4: Minimum Standards for London (Plans and Capabilities) compliance by year.

Assessment	Green	Amber	Red
Dec-15*	72.93%	24.40%	2.67%
Dec-14*	78.27%	21.07%	0.67%
Dec-13* **	75.05%	24.12%	0.82%
Feb-12 (MSLO)	88.80%	10.70%	0.50%
Jan-11	73.44%	24.48%	2.08%

Note: *Does not include figures for London Borough of Hackney (data not supplied)
 ** No results from LB Tower Hamlets, Newham, Redbridge, Waltham Forest
 (MSLO) represents the assessment of combined Standards (Plans, Capabilities and Operational Response) undertaken in advance of the 2012 Olympic Games.

Fig 3.5: Minimum Standards for London (Operational Response) compliance by year.

Assessment	Green	Amber	Red
Dec-15	94.70%	5.30%	0.00%
Dec-14	95.00%	5.00%	0.00%
Dec-13	97.16%	2.60%	0.00%
Feb-12 (MSLO)	94.71%	4.73%	0.47%

Review of Minimum Standards for London data also reveals synergies between the levels of compliance with Minimum Standards for London (Capabilities and Plans) and the number of Emergency Planning Professionals in London, see Fig 3.6 and Fig 3.7.

Fig 3.6: London Totals – Green ratings for Minimum Standards for London (Capabilities and Plans) across London.

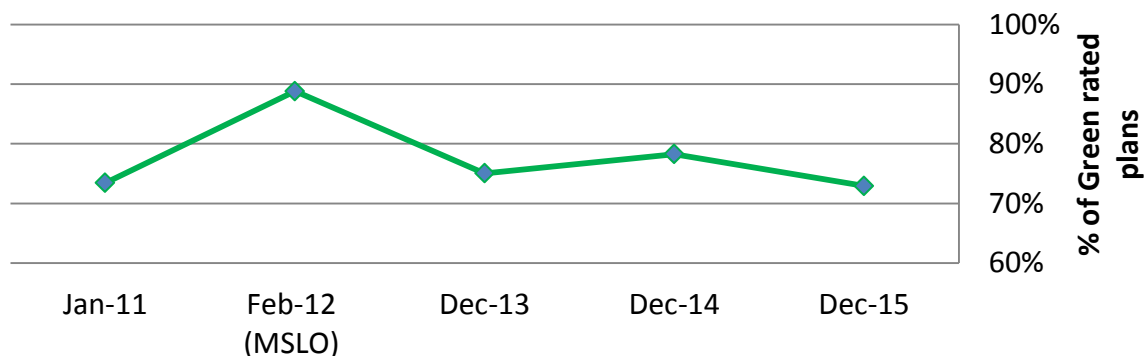
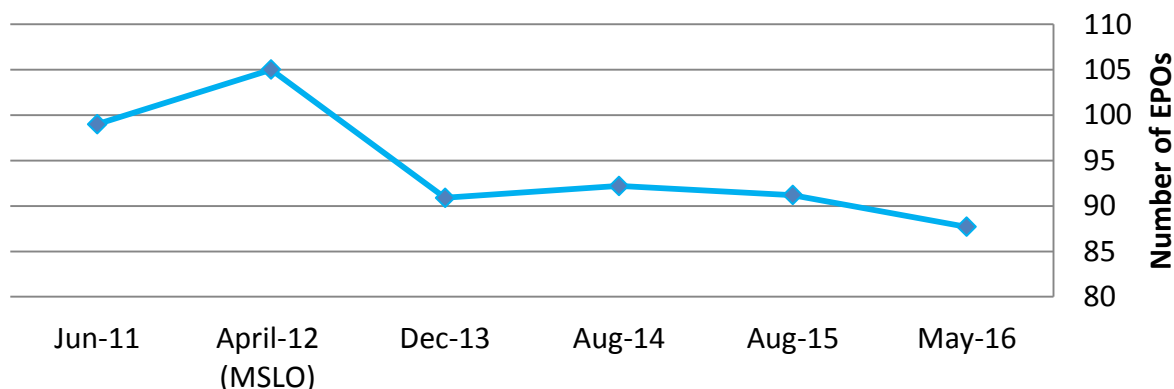


Fig 3.7: London Totals – Number of Emergency Planning Professionals (EPOs) in London.



Note: Data included in Fig 5 and 6 was produced during a review of Minimum Standards for London conducted earlier this year.

3.2.2 Collaborative Working

Historically work to support pan London planning, implement resilience strategies as determined by the Local Authority Panel and shared development of good practice at the local level has been undertaken by emergency planning professionals on an informal basis. This arrangement worked well for a number of reasons:

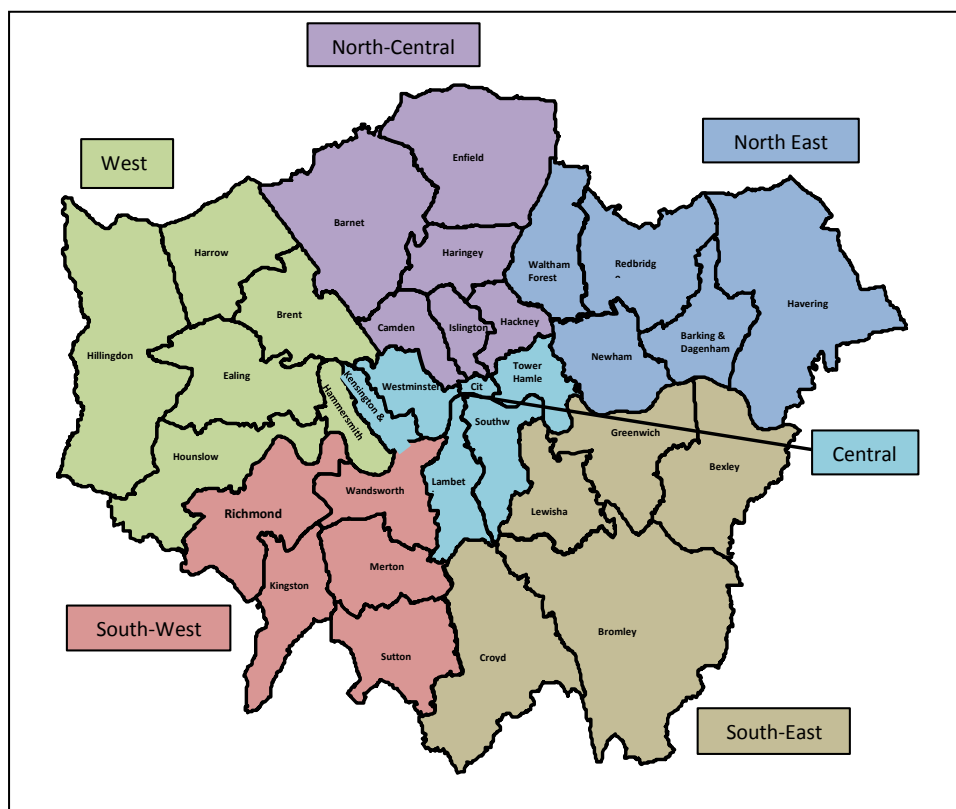
- it supported professional development;
- staff with specific experience or interest had opportunities to be involved; and
- it fostered efficiencies on the basis that the commitment would, over time, be reciprocated by all.

This principle of informal support was used to good effect in planning Exercise Unified Response in 2016 when authorities worked collectively in sub-regional groupings to develop five operational response focused workstreams.

Noting that one staffing model cannot fit all due to differences in local risk profile, priorities and structures, as pressures increase and staffing levels reduce, it is evident that an informal collaborative approach is not sustainable. This is primarily due to local authorities finding it increasingly difficult to commit appropriate levels of staff time and resource. Additionally, the current arrangement does not offer the level of shared efficiencies all authorities should expect.

To support the development of proposals designed to enhance collaboration, see section 3.2.3 Sub-Regional Collaboration, it is suggested that existing emergency planning boundaries offer an ideal basis upon which to initiate change, see Fig 3.8, The sub-regional boundaries have been established for a number of years, strong relationships and shared knowledge already exists between emergency planning teams and a mutual appreciation of local risks, plans and necessary capabilities is more easily achieved.

Fig 3.8:
Sub-Regional
Groupings



3.2.3 Sub-Regional Coordination

Norwell noted: *“the resilience picture across London verges on the convoluted with significant duplication of services and resources across the capital.”* To oversee a coordinated approach to sub-regional collaboration and ensure enhanced resilience, compliance with the full suite of requirements, consistency across London and efficiency is maximised, a number of options have been considered, including:

- a) merging teams and creating sub-regional emergency planning hubs;
- b) developing sub-regional shared service agreements utilising the same principles underpinning the agreement between the London Boroughs of Barking & Dagenham and Waltham Forest;
- c) establishing sub-regional Service Level Agreements; and
- d) enhancing current informal arrangements. This was immediately dismissed due to recognition that an informal approach is unsustainable, see section 3.2.2.

A key factor influencing change is the Civil Contingences Act (2004). With duties applying to individual authorities as Category 1 responders, essential considerations include:

- retention of local sovereignty;
- the ability to understand and manage local risks; and
- the means of delivering fast, high quality professional advice and support in all localities. For this reason, the creation of emergency planning hubs in each sub-region was discounted.

Having considered all the options, it is proposed that a Sub-Regional Lead Local Authority is identified per area, as detailed in Fig 3.8, to co-ordinate local resilience related activities where efficiencies can be obtained and resilience enhanced. In addition the lead authority would also oversee their sub-regional contribution to regional planning and support to the Local Authority Panel. It is suggested that this arrangement is underpinned by an output based Service Level Agreement to offer assurance to chief executives that the spirit of a more equal contribution and benefit is maintained. By adopting this approach it is proposed that sub-regional arrangements can remain flexible to reflect local needs whilst at the same time accommodate any future changes to the local government landscape in London.

Recommendation 4

A Sub-Regional Lead Local Authority should be identified to co-ordinate enhanced collaboration and support a more equal contribution and benefit from sub-regional and regional operational and contingency planning. This arrangement should be underpinned by an output based Service Level Agreement and reviewed against clearly defined success criteria every two years.

The current support provided to the Local Authority Panel by the Implementation Group, which comprises membership from all existing sub-regional groupings, see Fig 3.8, includes practitioner advice, support to London wide implementation of the strategy and policy set and identification of emerging issues and their respective solutions.

A recent decision to move the Local Authority Panel Business Plan onto a three year cycle will enhance the opportunity to pre-plan and coordinate the delivery of local, sub-regional and regional workstreams over an extended period. It is proposed that the role of the

Implementation Group is extended to an enhanced business plan management function and oversight of progress. By adopting this approach, the Implementation Group will be effectively positioned to ensure a balanced allocation of work to sub-regional groups on a three yearly basis. Any issues or concerns identified can be raised immediately with the Local Authority Panel as necessary. This approach also offers an effective means of addressing unplanned, emerging or immediate risks as they arise, in a balanced and coordinated fashion.

Recommendation 5

Local Authority Panel Implementation Group (LAP IG) members should accept a more proactive role in:

- a) managing the three year Local Authority Panel Business Plan and co-ordination of sub-regional activity to ensure a balanced distribution of work;
- b) agreeing with respective peers in each sub-regional group the appropriate means of delivering allocated workstreams in accordance with the Service Level Agreement.

3.3 Duty London Local Authority Gold Arrangements

Principles established in 2004, including the Local Authority Gold Resolution and all chief executives involvement in the Gold Rota, continue to effectively underpin the collective and coordinated approach by all authorities. This combined in practice with their successful application to a far broader range of incidents than first envisaged, has played a fundamental part in increasing awareness amongst partners of the pivotal role local authorities play. Increased public expectation and scrutiny makes it important that these arrangements are further developed to ensure we are even better placed to:

- discharge our community leadership role;
- influence strategic direction and oversee consideration of wider impacts; and
- oversee the seamless transition from response to recovery.

In developing proposals necessary to create more robust arrangements, this review also considered:

- the business case established during Exercise Unified Response, where it was established that chief executives could Chair Strategic Coordination Groups earlier in the response phase than previously envisaged; and
- the following recommendation by Norwell: *“further review the LFB-EP Gold Structure to ensure that on-call arrangements are sufficiently robust.”*

The principle of developing a cadre of Strategic Coordination Group Chairs from across a range of organisations is now actively being pursued. To ensure we effectively support this initiative and establish the means of sustaining commitment it is proposed that this requirement is aligned to membership of the Local Authority Panel. This suggestion is based on the knowledge that Panel members have higher levels of exposure to the London wide resilience agenda.

A further consideration identified by this review and supported by outcomes from Exercise Unified Response is the need to ensure continuity of representation at the strategic level. Although not always possible, it is acknowledged that significant benefit can be obtained by attending Strategic Coordination Groups prior to accepting responsibility, either as the Strategic Coordination Group Chair or London Local Authority Gold.

Recommendation 6

Local Authority Panel (LAP) membership should carry with it the expectation that members will:

- a) be the local authority representatives on a cadre of multi-agency strategic leads available to Chair Strategic Coordination Groups;
- b) undertake multi-agency training to an accredited standard to prepare them to Chair Strategic Coordination Groups;
- c) step in as London Local Authority Gold (LLAG) when necessary to ensure consistency of representation and ease the transition of Chairing the Strategic Coordination Group from the Metropolitan Police Service or other partner agency to local authorities;
- d) where appropriate shadow the Strategic Coordination Group Chair to ease transition prior to accepting responsibility.

Recommendation 7

All chief executives should wherever possible shadow the current LLAG prior to taking over the role during an incident.

This review noted that the current level of support offered to chief executives in advance of Gold duties by London Fire Brigade Emergency Planning comprises:

- introductory and pre-on call briefings; and
- invitations to participate in regional exercises on an ad-hoc basis.

To ensure we are all in the best possible condition to discharge London Local Authority Gold duties and address post incident enquiries and scrutiny with confidence, a more formalised approach to training and exercising is required.

Recommendation 8

All chief executives should attend periodical training events delivered by accredited trainers and participate in a structured exercise programme to prepare them to undertake London Local Authority Gold duties.

3.4 Borough Response Capability

3.4.1 Core Response Function

The number of incidents across London requiring local authority involvement, as reported by emergency planning professionals, is continuing to climb. The increase between April and August 2016, see Fig 3.9 and Fig 3.10, reflects flash flooding events but may also reflect the broadening responsibilities undertaken by emergency planning teams and additional demands placed on them due to pressures on the authority as a whole.

Examples of additional demands made in this time period include:

- dealing with reports of traveller encroachments;
- anti-social behaviour and community safety incidents; and
- environmental health related incidents, such as chemical suicides.

Further research will be required to bottom out the influence these additional incidents have on the overall figures and the impact they have on delivering core emergency planning duties.

Fig 3.9: Emergency Planning Monitoring Report –Total Number of Reported Incidents.

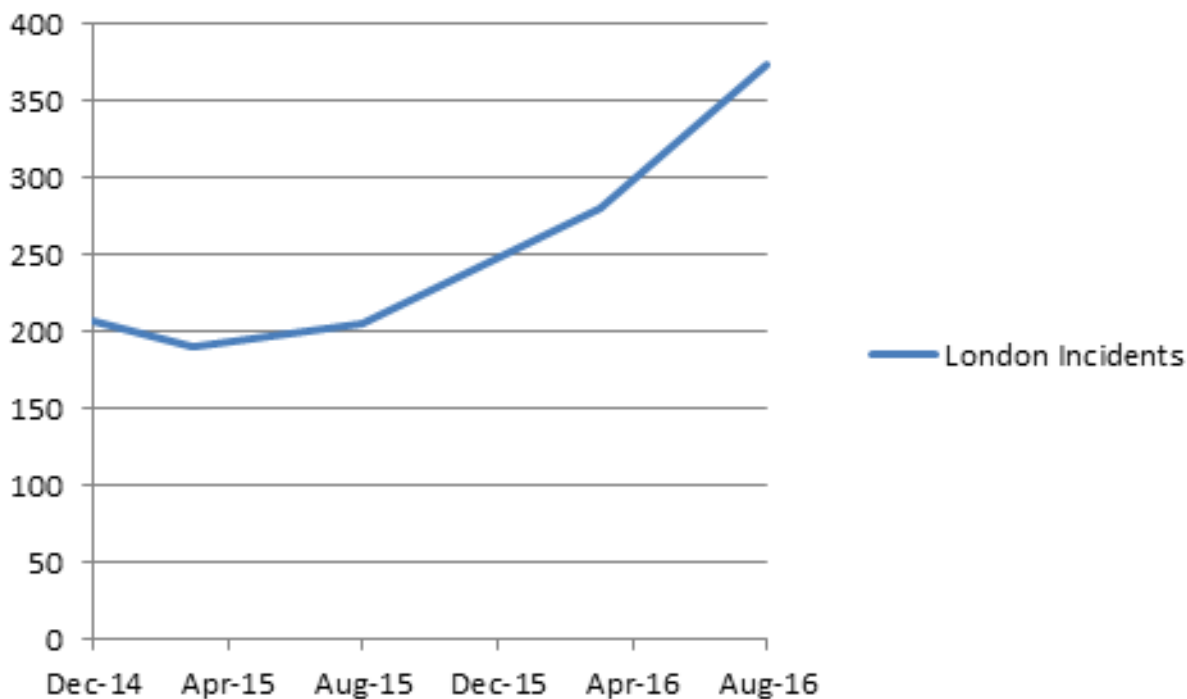
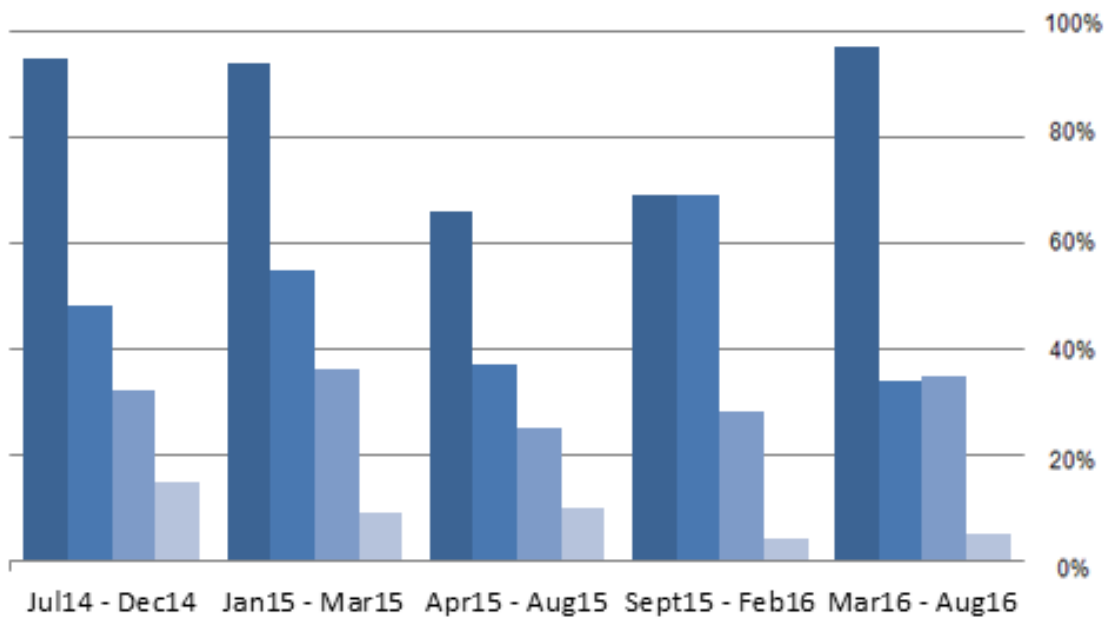


Fig 3.10: Emergency Planning Monitoring Report – Levels of Response to Reported Incidents.

- Emergency Planning Staff
- Local Authority Liaison Officer (LALO)
- Senior Management
- Borough Emergency Control Centre (BECC)



3.4.2 Standardisation of Operational Response Capabilities

Adopting a standardised London wide approach to core operational response functions, such as Borough Emergency Control Centres, Rest Centres and humanitarian assistance, as well as that of emergency planning professionals will enhance resilience. The importance of this is best demonstrated by considering the challenges faced by LB Croydon when dealing with a flood related incident in 2014. Due to the scale and protracted nature of the emergency, staff from a significant number of local authorities demonstrated a willingness to help. This support extended into the deployment of emergency planning professionals. This demonstrated that even a fairly well resourced emergency planning team could need assistance, and that a standardised approach to all parts of Croydon's operational response would have enabled staff from other local authorities to more easily integrate and add value.

Although standardisation will need to be delivered in phases, it is evident that this approach provides the means by which pressures on services can be reduced and a leaner and more agile authority wide operational response model delivered. This would ensure all authorities are able to deliver the level of support our communities need and the assurance chief executives require. It is therefore suggested that all authorities should support this standardisation initiative and benefit from:

- Enhanced resilience;
- Increased efficiency with minimal duplication of effort;
- A greater level of assurance with an established set of standards by which authorities can assess themselves against;
- More effective opportunities for mutual aid; and
- Reassurance to multi agency partners that the level and nature of response will be similar and of a high standard regardless of location.

Recommendation 9

All local authorities should support the standardisation work currently being progressed and adopt consistent protocols and procedures for core response functions when published.

3.4.3 Operational Response Roles

The Emergency Planning Monitoring Report, produced every six months, indicates the overall number of staff trained for Borough Emergency Control Centre and Local Authority Liaison Officer roles has remained fairly static for some time. Rest Centre staffing numbers are, however, on a downward trend. This reduction, can to some extent be explained by the number of authorities who have established agreements with the British Red Cross to carry out elements of this function. Although an acceptable practice, this approach does carry an inherent risk that the capacity of the British Red Cross to support a multiple borough or London wide incident would be tested. Although outside of the scope of this report, it is suggested that further work is needed to assess the level of risk this carries.

This review has identified that as pressures continue, any further loss of corporate knowledge or reductions in staff through outsourcing or other means, could increase levels of risk and affect operational response capabilities. A significant further challenge to maintaining operational effectiveness is the ability of managers to release of staff for training and exercising to ensure competency is established and then maintained.

To address these concerns, it is proposed that we initiate a piece of work to look at:

- opportunities to maximise the workforce available to us;
- the means of aligning ‘day jobs’ with operational response roles. This approach is complimented by the standardisation work.
- a more focussed approach to recruiting volunteers; and
- the means by which succession planning can be delivered effectively.

Recommendation 10

In order to mitigate any reduction in resource available to support an organisational response, a further piece of work should be initiated to consider the means of:

- a) identifying local authority roles which possess the requisite core competencies to support operational response and recovery functions;
- b) identifying the means by which staff undertaking the roles can be incorporated into operational plans;
- c) ensuring staff are available to undertake the requisite level of training and exercises and are released to undertake response roles during emergencies.

3.5 Assurance

3.5.1 Method and Scope of Assurance

A range of auditing processes are currently applied to the emergency planning service. These range from locally initiated internal audits through to bi-annual national capability surveys conducted by the Cabinet Office. To ensure a baseline standard of resilience planning across local authorities that meets the statutory requirements of the Civil Contingencies Act, Central Government expectations and is commensurate to London’s risk profile, the Local Authority Panel adopted full Minimum Standards for London in 2009.

This review has identified that the Minimum Standards for London approach offers the best opportunity to establish a consistent and accurate assessment of capacity and capability across London. To achieve this, however, the process will need to improve. The current process of self and peer assessment has served its purpose but as pressures mount it is suggested that a more robust and independent method should be applied. Norwell noted in his review: *“the recently introduced EP ‘Minimum Standards for London’ (MSL) have provided a stimulus for local authorities to focus on and raise standards. However, the MSLs rely primarily on goodwill and presume that all local authorities are seeking to improve their resilience arrangements. There is limited oversight of this across London; the consequence is that unsatisfactory resilience performance poses significant reputational risks and would highlight a degree of collegiate failure across London local authorities.”*

It is recognised that there remains an expectation that local authorities will contribute to bi-annual National Capability Surveys, satisfy internal auditing needs and ad-hoc requests for assurance. That noted, good work is already underway to increase the categories addressed by the Standards and enhance assessment criteria to allow a consistent approach to internal or external audit, as necessary. Chief executives will no doubt see this as a positive step and one that compliments the direction of this review.

By moving away from a subjective dominated approach and adopting the proposed enhancements to the process, Minimum Standards for London should become the single point of reference for our authorities to assure individual and collective compliance with London specific criteria and overall resilience across the range of our responsibilities.

Recommendation 11

The means by which Minimum Standards for London are formally audited should be agreed by chief executives to offer them the single means by which London local authority emergency planning is accurately assessed.

Recommendation 12

Minimum Standards for London should be realigned to more accurately reflect service requirements:

- a) Immediate Response Capabilities (covering both local and LLAG operations);
- b) Contingency Planning to develop capabilities to deal with acute shocks;
- c) Business Continuity Planning and Corporate Assurance;
- d) Longer Term Resilience Strategies to provide resilience for chronic stresses.

Recommendation 13

All Minimum Standards for London results should continue to be consolidated to offer an annual assessment of capacity and capability and include the means by which urgent concerns can be escalated to chief executives.

3.5.3 Meaningful Assurance

In addition to the changes highlighted in this section, the assurance process should also offer meaningful assessment to confirm that our services are maintaining the appropriate level of resilience and meeting statutory requirements. By adding greater detail to the Standards to reflect baseline levels of operational response capabilities, this will offer the opportunity to assure ourselves that individually and collectively we have the appropriate level of resilience to address the myriad of challenges London now has to confront.

Recommendation 14

Greater detail should be added to Minimum Standards for London pertaining to immediate response capabilities, including clearly defined measurable criteria to offer meaningful assurance such as baseline numbers of trained staff, defined response times and length of operation to be sustained, to define the level of capacity and capability to be maintained by local authorities to address local incidents.

4. Conclusion

Given the heightened challenges that we face and understanding of the pressures on our services, it will be important to move as swiftly as possible to start to put a stronger and more resilient framework in place.

By implementing the steps detailed in this report, capability and capacity will be enhanced, with added strength and depth established locally and regionally. This will ensure all local authorities are in the most resilient condition to efficiently and effectively deliver individual and collective leadership on resilience with confidence, into the 2020's.

Finally, it is understood that the proposals contained in this report will compliment the Lord Harris review but we should anticipate a further short review will be required following the formal release of his findings. This will allow chief executives to be assured that areas additional to those covered by this review or further opportunities to enhance our individual or collective resilience are duly considered.

Annex A: Norwell Review

CELC –24 April, 2015

A review of resilience arrangements in London: interim findings

Background

Following the agreement of CELC on 25 April 2014, John Barradell has been working with the Local Authorities Panel (LAP) on a review to identify proposals for the future of resilience arrangements for London and to ensure the continuing influence of LAP over any such arrangements in order to augment London's capability to respond to resilience incidents.

A number of areas of concern triggered this review, specifically the Mayor's desire to move to closer joint working on resilience with London local authorities, resulting in the shift of day-to-day operational responsibility from the London Resilience Team (LRT) to London Fire and Emergency Planning Authority (LFEPA) as well as co-locating the LRT with the LFB-EP.

In previous discussions by CELC on this issue, it has been noted that: the influence of LAP needs to be maintained and supported by appropriate resourcing of LFB-EP and the LRT; any review of resilience should include an appraisal of risk and resources at a geographical level in order to ensure best-practice provision of services, and; the importance of local authorities pragmatically working together in this area as a matter of principle, rather than merely a means of achieving cost efficiencies.

This review follows a number of historic reviews looking at the scope, structure and resources of resilience arrangements across London and key public sector stakeholders. In 2009, a review assessed the support provided by London Fire Brigade Emergency Planning (LFB-EP), recommending that this should be better shaped to meet the needs of local authorities.

Context

Emergency Planning (EP) teams in London are getting smaller with an ageing demographic. There is an absence of succession and/or career planning within or across local authorities and there are limited opportunities for progression to senior EP positions within local government. The most common form of advancement for EP staff is promotion to roles outside the sector or to similar roles in the private sector.

The location of EP in organisational structures differs across local authorities, ranging from service departments to corporate support functions to the chief executive's office. This divergence can affect the ability of a local authority's EP function to mobilise a large number of operational staff quickly to help to manage an incident. The reporting lines for EP officials are also important – both in terms of withstanding financial pressures and being able to influence decision-making across the organisation.

In the face of highly challenging financial pressures and potentially diminishing resources, local authorities are experiencing an increase in the scale and complexity of resilience demands. There has been a retrenchment of blue-light and other public sector resilience work, often leaving local authorities as the lead or even the exclusive agency in some areas. Business continuity management and procurement processes are also becoming more challenging in the context of more complex supply chains.

It is clear that local authorities should not merely rely on EP teams to manage resilience; instead, an EP team's role should be to ensure that every part of a local authority understands its role and responsibilities in respect of resilience, incident management and business continuity.

Key findings

- The resilience picture across London verges on the convoluted with significant duplication of services and resources across the capital. Even among practitioners, there are diverging views of EP roles and responsibilities, the inter-relationship between the work of different resilience agencies, and general resourcing arrangements across London. There is an acknowledgement from EP managers that the current situation is unsustainable; nonetheless, they are keen and willing to shape the future of resilience structures for London.
- There are significant areas of new and innovative practice within the resilience sector, which may provide an indication of the future direction of EP in London. For example, Waltham Forest and Barking & Dagenham have effectively shared an EP function since 2009. The arrangement is supported by clearly defined service level agreements, with officers dedicated to specific local circumstances across both local authorities. This structure has recently further expanded as schools and public health agencies have purchased EP services from the local authorities under this arrangement.
- LFB-EP's work to manage the LA Gold on-call arrangements and the London Local Authorities Co-ordination Centre (LLACC) is highly valued and well thought of by chief executives and senior managers, though there is significant demand for a more centrally located facility overseen by the LFB-EP. However, there is lack of visibility of some of LFB-EP's work (aside from the LA Gold and LLACC work) and the processes through which the LFB-EP work programme is developed, agreed and monitored.
- The recently introduced EP 'Minimum Standards for London' (MSL) have provided a stimulus for local authorities to focus on and raise standards. However, the MSLs rely primarily on goodwill and presume that all local authorities are seeking to improve their resilience arrangements. There is limited oversight of this across London; the consequence is that unsatisfactory resilience performance poses significant reputational risks and would highlight a degree of collegiate failure across London local authorities.

Initial Recommendations

1. To further review the LFB-EP Gold Structure to ensure that on-call arrangements are sufficiently robust.
2. The City of London Corporation will explore providing a facility to LFB-EP/LRT to meet the demand for a central location for accommodation, situational awareness and information-sharing.
3. To further review an appropriate level of funding for the LFB-EP support to local authorities.
4. To commission research into scoping best-practice arrangements for sharing resilience services across local authority boundaries, including the establishment of a new group of senior officers comprised of Directors and/or Assistant Directors who have strategic responsibility for EP at a local authority level, as well as other key resilience partners.
5. The City of London Corporation will organise a high-level conference for senior managers across London government, including members of the above new group of senior officers, to increase awareness across the full spectrum of local authority functions of EP and resilience best practice.

A councillor's guide to civil emergencies



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Foreword

Recent flooding events in the north of England have once again highlighted the important role of councils in responding to and recovering from civil emergencies. In the case of these forecastable weather related emergencies, thanks to good planning and some advanced warning, councils and their local resilience forum (LRF) partners were able to take some pre-planned actions, such as erecting flood barriers, distributing sand bags and warning the public. This undoubtedly went some way to reducing the overall impact of these devastating floods.

But not all emergencies can be foreseen in this way. How many would have anticipated the fatal air accident on the Shoreham by-pass in summer 2015 and the impact it would have, or, despite the ever present risk of terrorism, the 2005 bombings in London or indeed the atrocities in Paris and Brussels?

As councillors we need to ask ourselves and our officers, 'how well prepared are we to face the unexpected?'

If we are properly prepared, we should be able to cope with whatever might be thrown at us. Councils that work closely within the framework of their LRF to identify and update risks and plan for emergencies will have taken a big step towards ensuring they are ready, but this can't just be left to the experts.

As councillors and community leaders we have an important part to play not just through being involved in responding to and recovering from an emergency, but also through being engaged in the essential planning and preparation needed to ensure resilience and readiness. We have a responsibility to ensure that those charged with supporting our community in the event of an emergency won't get caught out. If the worst happens, we, as elected representatives, are fundamental to ensuring the backing of the public for whatever needs to be done to return to normal. By asking the right questions and ensuring the interests of our constituents are properly represented, we can make a significant contribution to ensuring the overall resilience of our communities.

I welcome the publication of this guide and commend it to you. I hope you will find it useful and encourage you to question how well prepared you personally and your councils are should disaster strike. The questions at the back the guide provide a good starting point for senior elected leaders and portfolio holders, and colleagues sitting on scrutiny committees, to examine the overall preparedness of their council and partners.

My key message would be, please don't leave it to the last minute or until it really is too late.

Councillor Simon Blackburn

Chair, LGA Safer and Stronger Communities Board

Introduction

A **civil emergency** is defined in the Civil Contingencies Act 2004 as:

“an event or situation which threatens serious damage to human welfare in a place in the United Kingdom, the environment of a place in the UK, or war or terrorism which threatens serious damage to the security of the UK”.

Civil emergencies take many forms and advance planning and preparation is vital. Because of the increasing frequency of severe weather related events, flooding, snow, etc and the overall emphasis on climate change, there is a risk of too much focus on preparing for extreme weather with insufficient thought being applied to preparing for other emergencies such as:

- a major explosion and fire (eg Buncefield 2005)
- major disruption to the transport infrastructure (eg the Shoreham air crash 2015)
- a nuclear related incident (eg Windscale fire 1957; Fukushima, Japan 2011; Chernobyl, Ukraine 1986; Three Mile Island, USA 1979)
- a significant chemical accident (eg Bhopal, India 1984; Flixborough 1974)
- terrorism (eg London bombings 2005; Paris 2015)
- health related (eg Flu pandemic 2009).

Plans developed by a local resilience forum (LRF) will be based on a risk assessment, but while risk must be assessed and plans made accordingly, it would be imprudent to rule anything out completely.



Grade II listed Elland Bridge, Calder Valley, which was seriously damaged by flood water in 2015's Storm Eva

The principles for preparing for, responding to, and recovering from a civil emergency are much the same whatever the emergency. With civil protection arrangements needing to be fully integrated across all responders; the first principle is anticipation and assessment of risk and the last, effective response and recovery arrangements. This is otherwise known as integrated emergency management; a holistic approach to preventing and managing emergencies.

The following six activities are fundamental to this approach:

Integrated emergency management	Emergency preparedness	Emergency recovery and response
Anticipation	✓	
Assessment	✓	
Prevention	✓	
Preparation	✓	
Response		✓
Recovery management		✓

The bottom line is that if a council and its partners can get the broad principles right they will be in a good position to cope with whatever might come their way.



Case studies

Storm Eva Leeds City Council

On 26 and 27 December 2015 Storm Eva caused unprecedented flooding in Leeds. 519 businesses and 1,732 residential properties as well as bridges and council buildings damaged by the floods.

Leeds City Council's emergency control centre was activated and the local authority worked with emergency services, the Environment Agency (EA), Yorkshire Water and the army as part of the response. This included clean up, road signage, community engagement, communications (ie updating the website, handling hundreds of media enquiries), responding to enquiries via a flood email address and telephone helpline and deployment of sand bags to key sites.

The local authority along with community groups and volunteers used press and social media to engage more than a thousand volunteers to work on the clean up across the city, supported by over 100 council officers. Councillors met with those affected, galvanising volunteers and helping with the clean up. Greg Clarke, Secretary of State for Communities and Local Government, HRH Duke of York and Flood Minister for Yorkshire, Robert Goodwill MP all visited Leeds to raise awareness locally and nationally of the impact of the flood.

The West Yorkshire Resilience Forum, which is jointly chaired by the police, fire service and the council, met to ensure there is an effective framework for partnership working to deal with the recovery issues. Leeds City Council is playing a key role in this and has established an officer group to support the recovery arrangements set out in the Leeds Strategic Recovery Plan.

Shoreham Bypass air crash Adur District Council

On 22 August 2015, a vintage jet aircraft crashed onto vehicles on the A27 during a display at the Shoreham Airshow, killing 11 people and injuring 16 others.

The aircraft broke into four parts on impact, destroying several cars. Fuel escaping from the fuel tanks ignited in a large fireball and plume of smoke immediately following the impact.

Following the crash, the A27 was closed in both directions, stranding those attending the airshow. People were initially able to leave the site only on foot, as the main access from the car parks to the A27 was closed.

Initially the role of Adur and Worthing Councils was to support the emergency services and West Sussex County Council as the tier one and two responders whilst keeping council services running as normal. Council officers also established a stand-alone website for a virtual book of condolence and together with West Sussex County Council opened a charitable fund to support victims of the accident, to be administered by the Sussex Community Foundation, a registered charity.

Storm Eva Calderdale Metropolitan Borough Council

On Boxing Day 2015 Storm Eva reached Calderdale, causing flooding across 20 miles of the Calder Valley. Some 2,000 homes and 1,000 businesses flooded and large areas were without power for several days.

Calderdale Metropolitan Borough Council is the Lead Local Flood Authority (LLFA) and implemented emergency plans in partnership with the emergency services, Environment Agency, Canal and River Trust, Yorkshire Water, Northern Powergrid and local community groups.

Within hours local volunteers, with council support, had set up hubs in Todmorden, Hebden Bridge, Mytholmroyd, Sowerby Bridge and Elland, which quickly became the heart of each community, providing food, warmth, advice and support to the devastated communities.

Calderdale has local flood groups, with dedicated flood wardens and community based flood stores, which allowed the clean-up to get underway as soon as the floodwater had gone.

The council coordinated the collection and removal of tonnes of waste and debris from across the valley and provided skips for residents and businesses. The highways team inspected the street lights, traffic lights and over 100 bridges in the flood affected areas, including 85 underwater inspections. Grants were allocated to residents and businesses to contribute to the cost of the clean-up and to help make properties more resilient against future flooding.

The scale of the flooding and the subsequent damage to the highways network meant the council's priority quickly became focused on raising sufficient funding from regional organisations and central government to support the recovery.

The extent of the damage to infrastructure means that the repair work is still on-going, but most businesses have now re-opened and residents are returning home as life begins to return to normal across the Calder Valley.



**Burnham Area Rescue Boat,
Somerset 2014**

Councils' legal obligations and their role in civil resilience

The Civil Contingencies Act 2004 is the legal framework that sets out the roles and responsibilities of emergency responders in England and Wales. The Act provides a basic framework defining what tasks should be performed and how cooperation should be conducted.

It defines two levels of responder:

- Category 1 – These are organisations which are likely to be at the core of the response to most emergencies. As such, they are subject to the full range of civil protection duties in the Act. All principal councils are Category 1 responders along with the emergency services, health services, and the Environment Agency.
- Category 2 – These are cooperating responders, who are less likely to be involved in the heart of multi-agency planning work, but will be heavily involved in preparing for incidents affecting their sectors. The Act requires them to cooperate and share information with other Category 1 and 2 responders.

All Category 1 responders are subject to the full set of civil protection duties in the Act, which are outlined in **Appendix 1** to this guide.

The type of emergencies to which a local authority would have a duty to respond will be set out in the local community risk register.

Local resilience forums (LRFs)

In England and Wales, LRFs, which are multi-agency partnerships made up of representatives of Category 1 and 2 responders plus the military, are responsible for identifying and planning for the civil resilience risks for the local police force area.

Local authorities should have a key role in the LRF, including being involved in the development of the community risk register and contributing to local multi-agency response planning. They should also participate regularly in local multi-agency training and exercises, which are a good way to provide assurance on local level preparedness.

Councillors can support this work and also ensure that LRFs are aware of the particular issues in their communities.

Lead local flood authorities (LLFAs)

LLFAs are county councils and unitary authorities, which have duties (outlined at **Appendix 2**) under the Flood Water Management Act 2010. The Act aims to provide better, more sustainable management of flood risk for people, homes and businesses, help safeguard community groups from unaffordable rises in surface water drainage charges, and protect water supplies to the consumer.

Providing emotional and practical support to the public in a civil emergency

In addition to what they are required to do under the Civil Contingencies Act, councils also need to bear in mind the following when responding to and recovering from a civil emergency:

- Under the Local Government Act 2000, councils are responsible for ensuring the economic, social and environmental wellbeing of their community. This means that in the event of a civil emergency, as well as taking a leadership role in recovering from the emergency, they have a responsibility to coordinate the provision of welfare support and lead the establishment of key humanitarian assistance facilities.

“Leeds, along with several other areas, witnessed the devastating impact of Storm Eva on local businesses and residents. There is no doubt local government proved to be best placed to react to the crisis. The multi-agency response of council officers, public services and emergency services was exceptional, but it was the hundreds of volunteers who gave up their time to do anything they could to help that was particularly striking. That greatly speeded up the clean-up process especially and helped the areas worst affected to begin to recover and get back on their feet as quickly as possible.”

Councillor Judith Blake
Leader, Leeds City Council

- Under the homelessness legislation councils have a duty to secure suitable accommodation for people until a settled home becomes available. This means that in the event of an emergency, they have a responsibility for providing temporary shelter in the first instance and subsequently temporary accommodation in an extended emergency. Councils, registered social landlords and housing trusts have a duty to cooperate in providing assistance on request, where a housing authority asks for help with meeting its homelessness function.

What can councils do to provide practical and emotional support?

Experience from councils that have had to face the challenges of a civil emergency has shown that keeping communications teams part of the strategic decision-making process and the close involvement of the voluntary sector, were key to enabling them to provide practical and emotional support whilst also fulfilling their statutory duties and are therefore worth considering:

- Effective use of communications:
 - agree the key messages with your communications team before you engage in any communications (eg face to face, social media, local and national press) and ensure that you and other responders clearly and consistently repeat these and any further updates in all future communications
 - ensure that the front page of the council website clearly directs residents and press to up to date information regarding the emergency with clear signposts of where to go for further information if needed and relevant contact details for any other organisations
 - use a variety of channels to communicate the key messages to as wide an audience as possible based on your knowledge of what works best

for your residents. Social media is a good way of communicating with lots of people at the same time, but consider that harder to reach residents such as the elderly may need more direct contact such as public meetings, councillors and officers in key locations to relay information and leaflet/ newsletter drops

- ensure that regular updates are disseminated to all staff via intranet/ line managers and that front line staff are briefed to deliver key messages to residents.
- Setting up a dedicated resource centre/one stop shop with other service providers, particularly the voluntary sector and dedicated case workers.
- Providing access to telephones, computers and help with correspondence.
- Establishing a sub group to coordinate voluntary sector activities.
- Establishing an aftercare group as a sub group of the recovery coordination group (see **Appendix 3**) to provide emotional support to victims, including responders. While this group might be initiated by the council, it could be constituted almost entirely by the voluntary sector who could take over full responsibility for it in due course. Amongst other things it could:
 - establish community support groups for people who want to talk about the incident
 - establish community self-help groups supported by the council and other agencies such as the Environment Agency
 - plan social events to bring displaced communities together.
 - provide a care and counselling service.
- Making arrangements for the receipt and distribution of donations of cash, clothing, furniture, etc. This role could be undertaken by the voluntary sector.

“The flooding we experienced on Boxing Day 2015 was unprecedented. We were badly hit by floods in 2012. At the time these were also described as unprecedented, but it is clear that what was previously a once in 100 years event, or even once in every 50 years, is now happening with much greater frequency. Many homes and small businesses have been flooded several times over the past few years and I know that it has been a struggle.

Council staff, communities and volunteers supported each other during the clean-up operation and established community hubs in the five towns affected by floods. The council dealt with dangerous, flood damaged structures, cleared tonnes of debris and silt and provided assistance packages to householders and local businesses.”

Councillor Tim Swift
Leader, Calderdale Council

Management and coordination of civil emergencies

Emergencies involve a large number of agencies, which need to cooperate and support each other. Procedures and capabilities need to be well integrated for response and recovery work to be effective.

There is a generic national framework for managing emergency response and recovery that is applicable irrespective of the size, nature or cause of an emergency, but remains flexible enough to be adapted to the needs of particular circumstances. This framework identifies the various tiers of single-agency and multi-agency management in emergency response and recovery, and defines the relationships between them. It provides a common framework within which individual agencies can develop their own response and recovery plans and procedures.

Levels of coordination

There are three levels of multi-agency coordination:

- **strategic** – often referred to as Gold
- **tactical** – often referred to as Silver
- **operational** – often referred to as Bronze.

The roles, responsibilities and management of each level is outlined at **Appendix 3** to the guide.

Funding the response and recovery to civil emergencies

Response – The Government operates a scheme of emergency financial assistance to help local authorities to cover costs they incur as a result of work related only to the response phase of emergencies. It is known as the Bellwin Scheme and may be activated by ministers in any case where an emergency involving destruction of, or danger to life or property occurs, and, as a result, one or more councils incur expenditure on, or in connection with, the taking of immediate action to safeguard life or property, or to prevent suffering or severe inconvenience, in their area or among inhabitants. It is important to note that the Bellwin scheme doesn't cover precautionary actions or the recovery from an emergency, is subject to an expenditure threshold, which is published annually, and only applies in England. In Wales it is known as the Emergency Financial Assistance Scheme and is administered by the Welsh Government.

Recovery – Councils are expected to make arrangements to bear the costs of recovery in all but the most exceptional circumstances. The Government is clear that it is up to councils to assess their own risk and put in place the right mix of insurance, self-insurance, and reserves. In the event of an exceptional emergency however, individual departments, eg Department for Communities and Local Government (DCLG), Department for Education (DfE), Department for Environment Food and Rural Affairs (Defra) and Department for Transport (DfT) will consider providing financial support for various aspects of the recovery effort. It should be noted that departments will not pay out for recovery costs that are insurable – with the exception of damage to roads. There will be no automatic entitlement to financial assistance even if arrangements are activated. Councils will have to demonstrate need against criteria laid down by the department running a particular scheme. Also the Government will not normally pay out against costs relating to areas where there is already an established government spending programme, or where existing programme spend can be re-prioritised.

“In the longer term, it’s vital to plan on a much larger, more comprehensive scale, if we are to minimise future flooding and strengthen the resilience of our communities. We are now working with our partners to consider how we manage our uplands; whether we need to extend our flood alleviation schemes; how we can ‘flood proof’ homes and businesses and ensure that essential infrastructure such as electrical sub stations are sited away from potential flood spots, so that our communities can bounce back more quickly once the water recedes.”

Councillor Tim Swift
Leader, Calderdale Council



A vehicle is removed from the River Calder in Hebden Bridge, having been swept into the river during Storm Eva flooding

Role of leaders and portfolio holders in civil emergencies

As senior politicians, the leader and fellow portfolio holders are the public face of the council and as such have an important role in both ensuring community resilience and responding to a civic emergency. While it is not the role of a councillor to get involved in the delivery of resilience or the strategic, tactical or operational coordination and delivery of response or recovery, they have an important role in providing a political lead on the way in which decisions are made.

Political leadership

As senior political leaders your central role will be:

- involvement in making key policy decisions and possibly having to consider recommendations from either the strategic coordination group or the recovery coordination group (see **Appendix 3**) on strategic choices
- possibly making representation to government for additional resources and financial assistance
- promoting joint working with parish, city and district authorities
- liaising with other elected representatives (MPs, MEPs, other local authority representatives, etc)
- representing your community in the strategic community recovery committee where relevant
- ensuring recovery issues are mainstreamed into normal functions
- minimising reputational risk to the authority and defending decisions
- ensuring lessons are identified and addressed, (for example, by updating recovery plans), and shared with others who may find them useful.

Media and communications

When an emergency happens residents often look to local and national media channels for the latest information which is why your communications team play a crucial part in emergency planning, response and recovery, and must be involved in emergency planning at a strategic level.

When many parts of the country flooded in the winter of 2014, council communications teams were at the forefront, sharing information between Members, officers, councils, their partners and the press through community events, traditional print communications and social media. It is therefore essential that your communications team are effectively supported to carry out their role and there are examples where the LGA has been able to help with this through communications advice such as media responses and digital media support.

Maintaining good relations with the media will be more important than ever during and after an emergency. You will need to agree key messages with your communications team and working closely with them to be ready to:

- support the communication effort and assist with getting messages to the community, for example by giving interviews to the local and national press, holding public meetings where necessary and engaging with residents on social media, taking care to be consistent with the key information agreed with the communications team
- assist with VIP visits, ensuring that they are sensitive to the needs of the community
- support and assist those affected in how they engage with media interest.

“One of the most important learnings from the tragic events at the Shoreham Air Show was the need to ensure that communications were regular and consistent – whether between Members and officers, the council and its partners, or the council and the media. If clear, concise and accurate information hadn’t been available when it was needed, the potential for causing additional distress in the community could have been enormous.

It was imperative that our messages were aligned with and interview candidates were aware of what was being said by other agencies, so that we could put on a united front during the response phase. We had to balance the needs of our local community with the desire for information from national agencies (who didn’t understand local nuance) so that lines of communication and action remained clear.

I was initially taken aback by the media appetite for information – we received requests for interviews from across the country within hours of the tragedy unfolding, and these kept coming throughout the days and weeks that followed. It was incredibly important to have agreed a number of Members, who could field media interview requests, in advance with our Communications Team – this ensured that there was clarity and consistency for our community in who they were receiving messages from.”

Councillor Neil Parkin
Leader, Adur District Council

Preparing for emergencies

Councils should hold a set of fully developed, tested and up-to-date plans covering a range of different scenarios based on locally identified risk to enable them to play a full and effective part in the response to an emergency.

Ensuring corporate resilience

As with any issue, assurance that the council is ready in all respects to deal with an emergency can be sought simply by asking senior officers a series of questions and ensuring you get comprehensive and substantial answers backed up by relevant documentation where appropriate. Some suggested questions are at **Appendix 4** to the guide.

In seeking assurance that the council has done all it can to prevent or reduce the impact of an unplanned event, and can continue to deliver services and support vulnerable members of the community, it is also important to seek reassurance that the council’s own **business continuity plans** are sufficiently robust to enable it to continue to operate after disaster has struck. In this respect, it is worth noting that since 2008, there have been at least two major fires that have completely gutted council offices; Melton District Council in 2008 and South Oxfordshire District Council in 2015. Luckily both councils had business continuity plans that enabled them to continue to provide services with only minimal disruption. Would your council be able to do the same?

As senior political leaders, you can:

- discuss with the chief executive and senior officers the main risks to your communities so you can promote and support key actions, which will increase resilience
- work with your communications team to ensure you are familiar with both the internal and external communications channels and processes in an emergency and your role within this

- support the work of your LRF in planning for emergencies and helping them to be aware of the particular needs of discrete groups and issues within communities
- through your role as a community leader, promote awareness and understanding among the general public of the roles and responsibilities of the wide range of agencies that can be involved in managing risk and responding to an emergency so that communities are reassured and have a better idea of who to turn to in the event of concerns arising or emergencies occurring
- seek assurance that the council not only has developed in conjunction with partners on the LRF sufficient plans, but also tests those plans and trains personnel by participating in regular exercises
- encourage all councillors to participate in training and exercises so they are prepared to respond to an emergency and get involved in recovery from it
- understand the functions, ways of working, priorities and constraints of other organisations and in particular, if possible and appropriate, build personal relationships with key personnel, which will facilitate effective working during a crisis
- explore with your chief executive and senior officers whether contracts with suppliers include clear provisions requiring comprehensive plans for continuing service provision in the event of a civil emergency and for assisting with the response to and recovery from an emergency as appropriate and required; for example:
 - care providers should be expected to have across-the-board arrangements for continuity of care in the event of an emergency, including provisions to evacuate care homes and how these provisions would work
 - street cleaning and waste collection contracts should include provision for vehicles and equipment to be used in support of response to and recovery from an emergency
- help raise awareness amongst the communities you serve about the risks posed by climate change and other issues.

“It was clear that previous training initiatives were helping our staff deal with a difficult situation ‘on the ground’, supporting the first and second tier response agencies while keeping our own services running as normal. Regular training, even on desktop exercises, is very important in helping staff and councillors think about the issues they may have to face and, should the worst happen, vital to give them the skills they need to make critical decisions.”

**Councillor Neil Parkin
Leader, Adur District Council**

In preparing for an emergency, it is important for councils to consider and plan for the roles of officers and councillors during both response and recovery. Experience has shown that where their respective roles have not been clearly established prior to an emergency, or where agreed roles are exceeded or disregarded, the coherence of the council’s position is undermined.

Ensuring personal resilience

Resilience is not just about assets and services, personal resilience is important too. Unless everyone has thought through and is clear about their role both during a crisis and during the recovery phase, there is a risk that when disaster strikes, they will be on the back foot from the beginning. Participation in training and the exercising of plans will help with this.

Responding to an emergency

Response

Responding to an emergency is a multi-agency activity, during which a council is responsible for:

- providing immediate shelter and welfare for survivors not requiring medical support and their families and friends via evacuation, rest, humanitarian and other centres to meet their immediate to short term needs
- providing medium to longer-term welfare support of survivors (eg social services support and financial assistance which may be generated from appeal funds and also provide help-lines which should answer the public's questions as a one stop shop)(see advice on pages 4-6 on the provision of emotional and welfare support)
- communicate relevant updates to public for information and reassurance
- providing investigating and enforcement officers under the provision of the Food and Environment Protection Act 1985 as requested by Defra
- facilitating the inspection of dangerous structures to ensure that they are safe for emergency personnel to enter
- cleaning up of pollution and facilitating the remediation and reoccupation of sites or areas affected by an emergency
- liaising with the coroner's office to provide emergency mortuary capacity in the event that existing mortuary provision is exceeded
- coordinating the activities of the various voluntary sector agencies involved, and spontaneous volunteers
- providing public health advice and support
- may provide catering facilities, toilets and rest rooms for use by all agencies in one place, for the welfare of emergency response personnel in the event of a protracted emergency; this will depend on the circumstances and available premises.

Senior political leaders will have two main roles during the response phase:

- A corporate role:
 - Ensuring that the council continues to deliver services and provide support to the most vulnerable in the community and to those driven out of their homes.
 - In conjunction with the council's communications team, being a public face for the council in interactions with the media and the wider community; it will be particularly important to take care to avoid issuing contradictory or unconfirmed information to the media and the public. Do this by clearly and consistently repeating the key messages agreed with the communications team in all of your communications, even in social media and face to face interactions with residents.
 - In conjunction with the council's media team keep onsite and remote staff informed by ensuring internal communications are updated in line with external communications.
 - Ensuring that the council is fully and effectively cooperating with all relevant partners, not least the voluntary sector and making best use of all the support offered by the wider general public.
 - A role as a ward councillor, which is outlined in the next section.

“The role of social media was vital in such a time of crisis as it helped us greatly not only get up-to-the-minute updates on problem areas affected, but also to monitor all of the key agencies and to work together to help circulate all essential information to try and keep people informed and safe. It also enabled us to make sure that we could correct any rumours or misinformation, so that everyone could see the factual position coming from official sources.”

Tom Riordan
Chief Executive, Leeds City Council

Recovering from an emergency

Recovery

Recovery is defined as the process of rebuilding, restoring and rehabilitating the community following an emergency. Ideally it should begin from the moment the emergency begins and will initially run alongside the response phase. It is more than simply the replacement of what has been destroyed and the rehabilitation of those affected. It is a complex social and developmental process rather than just a remedial process.

It will be multi-faceted and long running involving many more agencies and participants than the response phase. It will certainly be more costly in terms of resources, and it will undoubtedly be subject to close scrutiny from the community and the media. Having begun at the earliest opportunity it should continue until the disruption has been rectified, demands on services have returned to normal levels, and the needs of those affected (directly and indirectly) have been met. It could last months or even years and will normally be led by the council, usually with the chief executive or appropriate strategic director taking the chair of the recovery coordination group.

During recovery councils will also have a large part to play in addressing community needs via drop-in centres and organising anniversaries and memorials as part of the recovery effort.

Senior political leaders will want to be assured that:

- resources and agencies are being effectively deployed and cooperating coherently and well together
- council services and operations return to normal at the earliest opportunity
- communities that have been disrupted by the emergency, and in particular the vulnerable members of the community, receive the long term local support they need once the emergency is no longer

national news and central government has shifted its attention elsewhere

- the community are being kept well informed of plans and progress
- local voluntary sector organisations and the community are fully involved in the recovery process
- a recovery strategy has been developed, supported by a concise, balanced, affordable recovery action plan that can be quickly implemented, involves all agencies, and fits the needs of the emergency
- an impact assessment has been started early with councillors playing a central role in identifying problems and vulnerabilities in their community, which may require priority attention, and feeding those problems and vulnerabilities back to the relevant recovery group; the impact assessment is likely to develop over time from a pretty rough and ready assessment, probably covering the more immediate needs of people, to a more refined assessment of longer-term humanitarian needs and economic development
- lessons learnt from the emergency are being compiled, widely shared and acted upon; follow up actions might include revision of plans, further training, strengthening of liaison with other agencies, etc
- thorough debriefs are being planned and carried out to capture issues identified, recommendations to be implemented, and planning assumptions to be reviewed
- that the community (including businesses) is involved at all stages of recovery; elected members can play a key role in this, chairing public (and business) debrief meetings; they can also be useful for door-knocking rounds, bringing back issues that the community has identified, and providing a trusted point of contact for those with concerns
- information and media management of the recovery process is coordinated by the communications team

- frequent internal communications keep all onsite and remote staff updated with key messages
- effective protocols for political involvement and liaison (parish, district/county/unitary and parliamentary) are established.



The wider role of councillors in a civil emergency

Resilience

In planning and preparing for civil emergencies all councillors can play a key role by:

- promoting and encouraging the preparation of community plans
- using their local knowledge to identify local groups and partners who may be able to play a role in recovery
- promoting self-resilience within the community and managing residents' expectations
- actively engaging with community members involved in community resilience work more widely
- ensuring they are familiar with the communications team emergency plans and processes
- scrutinising emergency plans and holding officers to account for the thorough preparation and updating of the plans in conjunction with partners on the Local Resilience Forum (See **Appendix 5** for some suggested questions).

Councillors should wherever possible contribute to the planning process, undertake training and participate in exercises to ensure that they are familiar with what will be expected in an emergency.

Response

During the response to an emergency, councillors, whose wards have been impacted by the emergency have a key role in:

- providing community leadership in their own wards
- being there to identify the needs of individuals and the wider community and feeding them into to the appropriate part of response organisation via officers representing the council
- signposting members of the public towards the right agency to get the support they need
- communicating information to the public and media as required by the communications team
- supporting and assisting those affected in how they engage with the media.

Recovery

As community representatives and figureheads in their local community, councillors for the affected community have an important role to play in assisting with the recovery process. Although they have a limited role in the operational response phase, the role of councillors is vital to rebuilding, restoring, rehabilitating and reassuring the communities affected and speaking on their behalf.

Roles in which ward councillors can play a part include:

- Listening to the community – as a councillor and local figurehead, you have a key role as the voice of the community and can therefore:
 - be the eyes and ears ‘on the ground’ by providing a focus for and listening to community concerns
 - gather the views and concerns of the

community, and feed them into the recovery process, through the recovery coordinating group's (RCG) community recovery committee

- provide support and reassurance to the local community, by listening or visiting those affected and acting as a community champion and supporter.
- Using local knowledge – as a member of the community, councillors have unique access to the thoughts, opinions and information relating to their local community. As such, they can play a part in using:
 - local awareness of the thoughts and feelings of the community to identify problems and vulnerabilities the community may have and which may require priority attention and feeding them back to the relevant recovery sub-group
 - local knowledge to provide information on local resources, skills and personalities to the relevant recovery sub-group, in particular local community groups which can also be an important source of help and specialist advice. Working closely with community groups, councillors will also be valuable in knowing how and who is active within a community.
- Providing support to those working on recovery through:
 - providing encouragement and support to recovery teams working within the community
 - working with the communications team to communicate key messages, from the RCG and its sub-groups, to local and national press and to disseminate credible advice and information back to the community, keeping community members involved, including potentially assisting in debrief sessions with the community and managing community expectations along with the wider council
 - actively engaging with community members involved in the recovery efforts.

- Political leadership:
 - scrutiny – getting buy-in and closure at political level, including sign off for funding
 - presenting the case for your community to the strategic community recovery committee where relevant.



Emergency response on A27 following the Shoreham air crash, 2015

Appendices

Appendix 1

Councils' responsibilities under the Civil Contingencies Act 2004

All principal councils (metropolitan districts, shire counties, shire districts and shire unitaries) are Category 1 or 'core' responders under the Act. As such, they are, alongside the emergency services, some health bodies and the Environment Agency, subject to the full set of civil protection duties in the Act and are required to:

- assess the risk of emergencies occurring and use this to inform contingency planning
- put in place emergency plans
- put in place business continuity management arrangements
- put communications arrangements in place to make information available to the public about civil protection matters and maintain arrangements to warn, inform and advise the public in the event of an emergency
- share information with other local responders to enhance coordination
- cooperate with other local responders to enhance coordination and efficiency
- provide advice and assistance to businesses and voluntary organisations about business continuity management (local authorities only).

As a Category 1 responder, a council must perform its duties under the Act where:

- the emergency would be likely to seriously obstruct its ability to perform its functions
- it would consider it necessary or desirable to act to prevent, reduce, control, or mitigate the emergency's effects, or otherwise take action; and would be unable to act without changing the deployment of its resources or acquiring additional resources.

Local responders work to a common national framework, but make their own decisions in the light of local circumstances and priorities about what planning arrangements are appropriate in their areas to deliver their duties under the Act.

Appendix 2

County and unitary councils' duties under the Flood Water Management Act 2010 (FWMA)

Under the FWMA, lead local flood authorities (LLFAs) (all county and unitary councils) are required to:

- prepare and maintain a strategy for local flood risk management in their areas, coordinating views and activity with other local bodies and communities through public consultation and scrutiny, and delivery planning
- maintain a register of assets – these are physical features that have a significant effect on flooding in their area
- investigate significant local flooding incidents and publish the results of such investigations
- establish approval bodies for the design, building and operation of sustainable drainage systems (SuDS)
- issue consents for altering, removing or replacing certain structures or features on ordinary watercourses
- play a lead role in emergency planning and recovery after a flood event.

LLFAs also have a new duty to determine which risk management authorities have relevant powers to investigate flood incidents to help understand how they happened, and whether those authorities have or intend to exercise their powers.

LLFAs and the Environment Agency will need to work closely together to ensure that the plans they are making both locally and nationally link up. An essential part of managing local flood risk will be taking account of new development in any plans or strategies.

If a flood happens, all councils as 'Category 1 responders' must have plans in place not only to respond to flooding emergencies, but also to control or reduce the impact of a flooding emergency.

By working in partnership with communities, LLFAs can raise awareness of flood and coastal erosion risks. Local flood action groups (and other organisations that represent those living and working in areas at risk of flooding) will be useful and trusted channels for sharing up-to-date information, guidance and support direct with the community.

LLFAs should encourage local communities to participate in local flood risk management. Depending on local circumstances, this could include developing and sharing good practice in risk management, training community volunteers so that they can raise awareness of flood risk in their community, and helping the community to prepare flood action plans. LLFAs must also consult local communities about its local flood risk management strategy.

Appendix 3

Levels of coordination

The generic national framework for managing emergency response and recovery identifies three tiers of multi-agency management and defines the relationship between them. The three levels are:

Strategic

Sometimes colloquially referred to as Gold, its purpose is to:

- consider the emergency in its wider context
- determine longer-term and wider impacts and risks with strategic implications
- define and communicate the overarching strategy and objectives for the emergency response
- establish the framework, policy and parameters for lower level tiers
- monitor the context, risks, impacts and progress towards defined objectives.

A multi-agency **strategic coordination group** (SCG) will be established where an emergency:

- has an especially significant impact
- has substantial resource implications
- involves a large number of organisations
- is expected to last for an extended duration.

An SCG does not have the collective authority to issue commands or executive orders to individual responder agencies. Each organisation will exercise control of its own operations in the normal way. Because of the nature of this group and the need for a council representative to be empowered to make executive decisions, councils will usually be represented by either the chief executive or appropriate strategic director.

The group will be chaired by an appropriate agency depending on the nature of the emergency. The police are particularly likely to chair the group if there is an immediate threat to human life, unless for example it is a major fire, when the chief fire officer would be the likely chair.

For emergencies with significant recovery implications, it would be normal to establish a **recovery coordinating group** (RCG) to take on the role of the SCG once the response phase of the emergency is over. In most cases it would be chaired by the local council chief executive or a strategic director.

Tactical

Sometimes colloquially referred to as Silver, the **tactical coordination group** (TCG) will be formed from senior operational officers from relevant agencies. A council will usually be represented at the assistant director/head of service level. The group's role is to jointly conduct the overall multi-agency management of the incident:

- determine priorities for allocating available resources
- plan and coordinate how and when tasks will be undertaken
- obtain additional resources if required
- assess significant risks and use this to inform tasking of operational commanders
- ensure the health and safety of the public and personnel.

Operational

Sometimes colloquially referred to as Bronze, this is the level at which the management of the immediate hands-on work is undertaken at the site(s) of the emergency. While individual agencies retain command authority over their own resources and personnel deployed at the scene, each agency must liaise and coordinate with all other agencies involved, ensuring a coherent and integrated effort. It's the role of the operational commanders to implement the tactical commander's plan within their functional area of responsibility.

Appendix 4

Possible questions for leaders/portfolio holders to ask/check on

How engaged is the council in the LRF?

Are there sufficient officers at each level appropriately trained to participate in multi-agency coordinating groups?

Are all senior staff aware of what the council roles and responsibilities are in local resilience forum multi-agency emergency plans and is the council ready to deliver them?

Have arrangements been made to enable close working with other councils within the LRF in the event of an emergency (eg information sharing, shared communications plan, joint spokespeople, etc)?

Does the LRF have an up-to-date risk register and does it fully reflect risks faced by the council and incorporate climate change risks? Is it sufficiently detailed and comprehensive, written in plain English and understandable to the general public? Is it readily available to the public?

Are there sufficient plans for preventing emergencies; and reducing, controlling or mitigating the effects of emergencies in both the response and recovery phases?

Do the emergency plans fully reflect the identified risks?

Do plans clearly identify vulnerable groups or businesses that are at particular risk?

When were business continuity plans last checked, updated and tested?

Is there a flood risk management strategy in place with adequate systems and resources to implement it?

Is there sufficient up-to-date information on the website to enable residents to contact the council in an emergency during a normal working day and out of hours and does the website make clear to residents what they can expect from the council in a local civil emergency?

When was the website last updated? Is it fully up-to-date and does it fully reflect current arrangements and points of contact?

Does the council have arrangements to generate the resource to respond to calls from residents about short or no notice emergencies out of working hours, particularly during the holidays, eg over Christmas and the New Year?

Are senior members of staff suitably trained in the implementation of the LRF's emergency plans and ready to respond in the event of an emergency?

Are emergency contact numbers for all key personnel, including councillors, available and up-to-date?

Are councillors aware of their role in responding to an emergency and have they had a recent up-to-date communications brief on emergencies to enable them to fulfil their community leadership role and be well informed for any media contact?

Are up-to-date and fit for purpose emergency and business continuity plans in place and are they coherent with local resilience forum plans?

Have lessons learnt from previous emergencies across the country been identified and plans modified accordingly?

Appendix 5

Possible questions for scrutiny committees to consider

How well is the council cooperating with other key organisations like the Environment Agency and the emergency services?

Have risks to council buildings and facilities (eg schools, leisure centres, libraries, residential care homes, day centres, etc) been properly identified and are mitigations and fall back plans in place?

Is the council conducting active horizon scanning for new risks and working with the LRF to regularly update the risk register?

Is the risk register sufficiently detailed and comprehensive, written in plain English and easily understandable by the general public?

Is the council aware of the impact emergencies could have on local businesses and the local economy and does it have plans to mitigate the impact?

Does the council have the wherewithal to be able to give advice to the commercial and voluntary sectors in the event of an emergency?

Do plans include measures for preventing emergencies and for mitigating the impact of emergencies when they arise?

Do plans reflect lessons learnt from previous emergencies across the country?

Have climate risks and opportunities been built into local growth plans?

Has training been provided to councillors and has training offered been taken up?

What assurance is there that the council has developed and practiced appropriate emergency and business continuity plans and are they coherent with the local resilience forum plans?

When were the council's business continuity plans last tested and how frequently are such tests planned to be carried out?

When was the last time the council participated in an exercise and when is the next exercise planned?

When were response arrangements last reviewed to ensure that newly elected members and staff are fully briefed?

What arrangements does the council have for scaling up the staff resource to not only support the response, but also maintain the delivery of front line services?

Which officers have been appropriately trained to participate in coordination groups and is this sufficient to ensure that the council can participate fully in responding to and recovering from emergencies?

Useful references

Local authorities' preparedness for civil emergencies: A good practice guide

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/368617/Oct_2014_LA_preparedness_for_emergencies_guide.Final.pdf

Preparation and planning for emergencies: responsibilities of responder agencies and others

<https://www.gov.uk/guidance/preparation-and-planning-for-emergencies-responsibilities-of-responder-agencies-and-others>

Emergency preparedness

<https://www.gov.uk/government/publications/emergency-preparedness>

Emergency Response and Recovery: Non statutory guidance accompanying the Civil Contingencies Act 2004

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253488/Emergency_Response_and_Recovery_5th_edition_October_2013.pdf

LGA Guide for communicating during extreme weather

http://www.local.gov.uk/documents/10180/6869714/L15-506+Extreme+Weather+Communications+Guidance_02.pdf/8e4f3c03-dea8-4d8c-b83b-1412990625e3

LGA Councillor briefing pack – Resilient communities: Ensuring your community is resilient to the impacts of extreme weather

http://www.local.gov.uk/documents/10180/6869714/L15-77+CL+Resilient+c_WEB.PDF/a0abfcae-a4db-42ce-abae-55c82d1d7bea

Flood risk management: information for flood risk management authorities, asset owners and local authorities

<https://www.gov.uk/guidance/flood-risk-management-information-for-flood-risk-management-authorities-asset-owners-and-local-authorities>

Managing flood risk: roles and responsibilities

http://www.local.gov.uk/local-flood-risk-management/-/journal_content/56/10180/3572186/ARTICLE

Flood investigation report: section 19. Flood and water management act (2010) Upper Calder Valley - 22 June 2012 flood incident

www.calderdale.gov.uk/environment/flooding/flood-investigation-06-12.pdf

Storm Eva - recovery plan

<http://democracy.leeds.gov.uk/documents/s141257/EB%20Storm%20Eva%20Recovery%20Cover%20Report%20120116.pdf>



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External audit update report

London Borough of Brent
External audit 2017-18

January 2018 Audit Committee

External Audit Progress Report

At the last Audit Committee we orally updated the Committee...

- That we had completed the work on the objection lodged by five local electors regarding payments made to the former Human Resource Director and associated matters; and
- Issued our audit certificate on the Housing Benefit subsidy claim and assurance report on the Teachers' Pension return.

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

- Issued our unqualified assurance statement on the Pooling of Housing Capital Receipts; and
- Completed our initial planning for the 2017/18 audit and prepared our draft audit plan which is a separate item on the agenda.

Ahead of the next meeting of the Audit Committee in March 2018 we will...

- Review any further information received from the Council in respect of the objection relating to the LOBO loans;
- Issue our grant report for 2016/17 summarising the main issues arising from the work;
- Continue our discussions with officers on the earlier closedown and audit of the 2017/18 financial statements; and
- Provide a list of documents we will require for the interim audit; and
- Commence the interim work on the financial statements and the Pension Fund.

We ask the Audit Committee to:

- **NOTE** this progress report.

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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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External Audit Plan 2017/18

London Borough of Brent

December 2017

Financial Statement Audit

There are no significant changes to the Code of Practice on Local Authority Accounting (“the Code”) in 2017/18, which provides stability. Deadlines for producing and signing the accounts have advanced. This is a significant change and needs careful management to ensure the new deadlines are met. We have recognised this as a significant risk. To meet the revised deadlines it is essential that the draft financial statements and all ‘prepared by client’ documentation is available in line with agreed timetables. Where this is not achieved there is a significant likelihood that the audit report will not be issued by 31 July 2018.

Authority significant risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error have been identified as:

- **Valuation of land and buildings:** While the Authority operates a cyclical revaluation approach, the Code requires that all land and buildings be held at fair value. We will consider the way in which the Authority ensures that assets not subject to in-year revaluation are not materially misstated;
- **Pension liabilities:** The valuation of the Authority’s pension liability, as calculated by the Actuary, is dependent upon both the accuracy and completeness of the data provided and the assumptions adopted. We will review the processes to ensure accuracy of data provided to the Actuary and consider the assumptions used in determining the valuation; and
- **Faster Close:** The timetable for the production of the financial statements has been advanced with draft accounts having to be prepared by 31 May 2018 (2017: 30 June) and the final accounts signed by 31 July 2018 (2017: 30 September). We will work with the Authority in advance of our audit to understand the steps being taken to meet these deadlines and any impact on our work.

Pension fund significant risks

- **Valuation of hard to price investments:** The pension fund invests in a range of assets and funds, some of which are inherently harder to value due to there being no publicly available quoted prices. We will verify a selection of investments to third party information and confirmations.

Value for Money Audit

Our risk assessment regarding your arrangements to secure value for money has not, at this planning stage, identified any significant risks.

However we have identified two areas of focus where we will review the arrangements in detail:

- **Financial resilience:** As a result of reductions in central government funding, and other pressures, the Authority is continuing to have to make additional savings. We will consider how the Authority identifies, approves, and monitors savings plans and how budgets are managed throughout the year.
- **Contract monitoring:** Contract monitoring continues to be a key control in ensuring the Authority, having gone through competitive tender processes, manages the contract and makes sure that services are delivered to the right quality and in line with agreed performance indicators. We will select a sample of contracts and review the monitoring arrangements against the contracts.

Other information

Logistics and team

Our team is led by Andrew Sayers, Partner and Steve Lucas, Senior Manager.

Our work will be completed in four phases from December to July and our key deliverables are this Audit Plan, progress reports to the Audit Committee and a Report to Those Charged With Governance with our final findings from the audit.

Fees

Our fee for the 2017/18 audit is £199,590 (2016/2017: £199,590). This is in line with the scale fees published by PSAA.

Acknowledgement

We thank officers and Members for their continuing help and cooperation throughout our audit.

The contacts at KPMG in connection with this report are:

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Headlines

1. Introduction	3
2. Financial statements audit planning	4
3. Value for money arrangements work	11
4. Other matters	13

Appendices

- 1: Key elements of our financial statements audit approach
- 2: Independence and objectivity requirements
- 3: Quality framework

This report is addressed to London Borough of Brent (the Authority) and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. PSAA issued a document entitled Statement of Responsibilities of Auditors and Audited Bodies summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on PSAA's website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public 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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Andrew Sayers, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers (0207 694 8981, andrew.sayers@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3H.

1. Introduction

Background and statutory responsibilities

This plan supplements our 2017/18 audit fee letter dated 24 April 2017, which set out details of our appointment by PSAA.

Our statutory responsibilities and powers are set out in the Local Audit and Accountability Act 2014, the NAO's Code of Audit Practice and the PSAA Statement of Responsibilities.

Our audit has two key objectives, requiring us to audit / review and report on your:

Page 90 Authority and Pension Fund Financial statements: Providing an opinion on your accounts. We also review the Annual Governance Statement and Narrative Report and report by exception on these; and

Use of resources: Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the value for money conclusion).

The audit planning process and risk assessment is an on-going process and the assessment and fees in this plan will be kept under review and updated if necessary. Any change to our identified risks will be reporting to the Audit Committee.

Financial statements audit

Our financial statements audit follows a four stage process:

- Financial statements audit planning
- Control evaluation
- Substantive procedures
- Completion

Appendix 1 provides more detail on these stages. This plan concentrates on the Financial Statements Audit Planning stage.

Value for Money

Our Value for Money (VFM) arrangements work follows a five stage process:

- Risk assessment
- Links with other audit work
- Identification of significant VFM risks
- Review work (by ourselves and other bodies)
- Conclude
- Report

Page 11 provides more detail on these stages. This plan concentrates on explaining the VFM approach for 2017/18 and our response to it.

2. Financial statements audit planning

Financial statements audit planning

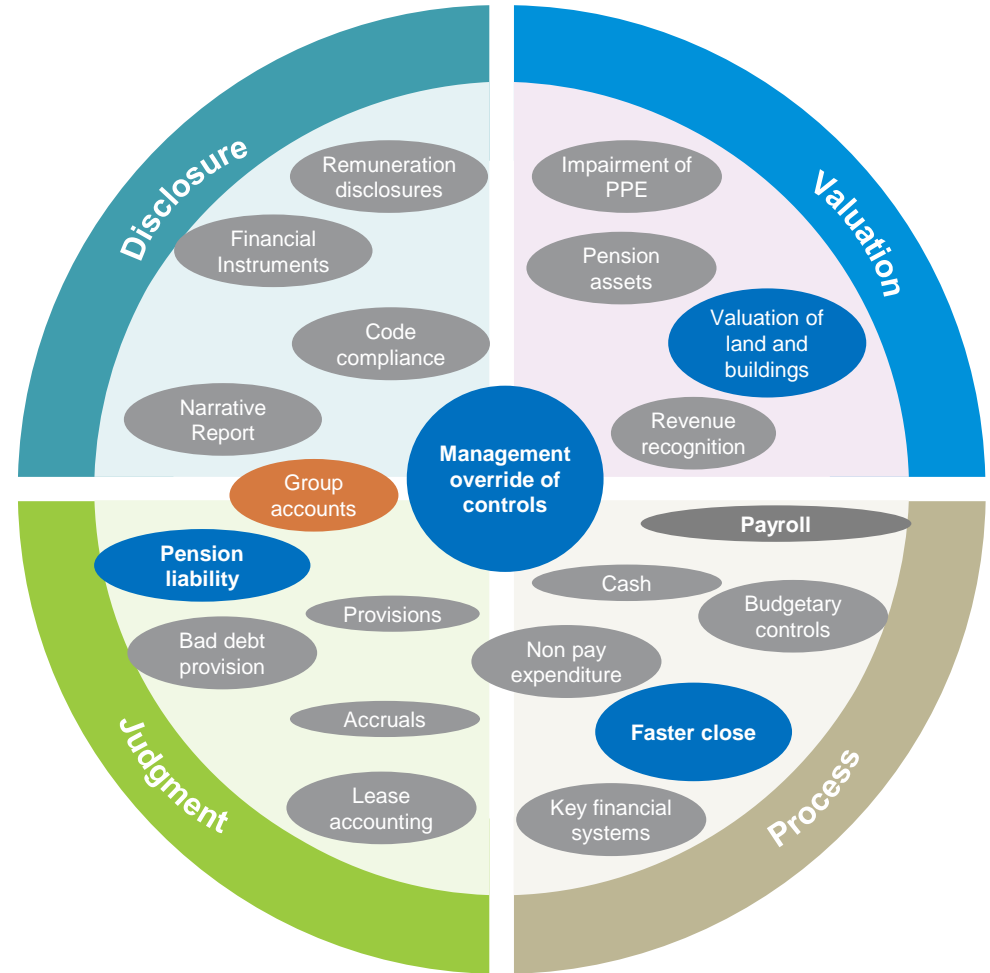
Our planning work takes place between December 2017 and January 2018 and involves: determining materiality; risk assessment; identification of significant risks; consideration of potential fraud risks; identification of key account balances and related assertions, estimates and disclosures; consideration of Management's use or experts; and issuing this plan to communicate our audit strategy.

Authority risk assessment

Professional standards require us to consider two standard risks. We are not elaborating on these standard risks in this plan but consider them as a matter of course and will include any findings arising from our work in our ISA 260 Report.

Management override of controls: Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit incorporates the risk of Management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

— **Fraudulent revenue recognition:** We do not consider this to be a significant risk for local authorities as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.



Key: ● Significant risk ● Other area of audit focus ● Other areas considered

2. Financial statements audit planning

Authority significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Authority.

Valuation of land and buildings

Risk: The Authority held land and buildings with a value of £1,289 million at 31 March 2017. The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Authority has adopted a rolling revaluation model which sees land and buildings revalued over a five year cycle unless it is thought that the value may have changed materially where they are revalued more frequently, for example the Civic Centre. As a result individual assets may not be revalued for four years. This creates a risk that the carrying value of those assets not revalued in year differs materially from the year end fair value.

Approach: We will review the approach that the Authority has adopted to assess the risk that assets not subject to valuation are materially misstated and consider the robustness of that approach. We will assess the risk of the valuation changing materially in year. We will consider movement in market indices between revaluation dates and the year end in order to determine whether these indicate that fair values have moved materially over that time.

In relation to those assets which have been revalued during the year we will assess the valuer's qualifications, objectivity and independence to carry out such valuations and review the methodology used (including testing the underlying data and assumptions).

Pension liabilities

Risk: The net pension liability at 31 March 2017 of £818 million represents a material element of the Authority's balance sheet. The Authority is an admitted body of the London Borough of Brent Pension Fund, which had its last triennial valuation completed as at 31 March 2016. This forms an integral basis of the valuation as at 31 March 2018. Valuation of the Local Government Pension Scheme relies on assumptions, most notably actuarial assumptions, and actuarial methodology which results in the Authority's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Authority's valuation, such as the discount rate, inflation rates, mortality rates etc. Assumptions should reflect the profile of the Authority's employees and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes. There is a risk that the assumptions and methodology used in the valuation of the Authority's pension obligation are not reasonable. This could have a material impact to net pension liability accounted for in the financial statements.

Approach: We will review controls that the Authority has in place over the information sent directly to the Scheme Actuary. We will liaise with the auditors of the Pension Fund to gain an understanding of the effectiveness of controls operated by the Pension Fund. This will include consideration of the process and controls with respect to the assumptions used in the valuation. We will evaluate the competency, objectivity and independence of Hymans Robertson.

We will review the appropriateness of key assumptions in the valuation, compare them to expected ranges, and consider the need to make use of a KPMG actuary. We will review the methodology applied in the valuation by Hymans Robertson. In addition, we will review the overall actuarial valuation and consider the disclosure implications in the financial statements.

2. Financial statements audit planning

Faster close

Risk: In prior years, the Authority has been required to prepare draft financial statements by 30 June and then final signed accounts by 30 September. For years ending on and after 31 March 2018 revised deadlines apply which require draft financial statements by 31 May and final signed financial statements by 31 July.

During 2016/17, the Authority started to prepare for these revised deadlines and advanced its accounts production timetable so that draft accounts were ready earlier but the financial statements were not signed until 29 September 2017 after the Audit Committee had met on 20 September 2017. Whilst this was an advancement on the timetable applied in preceding years, further work is still required in order to ensure that the statutory deadlines for 2017/18 are met.

To meet the revised deadlines, the Authority may need to make greater use of accounting estimates. In doing so, consideration will need to be given to ensuring that these estimates remain valid at the point of finalising the financial statements. There are logistical challenges that will need to be managed including:

- Ensuring that any third parties involved in the production of the accounts (including valuers, actuaries, subsidiaries and subsidiary auditors) are aware of the revised deadlines and have made arrangements to provide the output of their work accordingly;
- Revising the closedown and accounts production timetable to ensure that all working papers and supporting documentation are available at the start of the audit;
- Ensuring that the Audit Committee meeting schedules have been updated to permit signing in July; and
- Applying a shorter paper deadline to the July meeting of the Audit Committee meeting in order to accommodate the production of the final version of the accounts and our ISA 260 report.

In the event that the above areas are not effectively managed there is a significant risk that the audit will not be completed by the 31 July deadline. There is an increased likelihood that the Audit Certificate (which confirms that all audit work for the year has been completed) may be issued separately at a later date if work is still ongoing in relation to the Authority's Whole of Government Accounts return. This is not seen as a breach of deadlines.

Approach: We will continue to liaise with officers in preparation for our audit to understand the steps the Authority is taking to meet the revised deadlines. We will look to advance audit work into the interim visit to streamline the year end audit work. Where there is greater reliance upon accounting estimates we will consider the assumptions used and challenge the robustness of those estimates.

2. Financial statements audit planning

Authority other area of audit focus

Those risks with less likelihood of giving rise to a material error but which are nevertheless worthy of audit understanding.

Group accounts

Risk: The Authority brought the management of its housing stock back in house from its subsidiary Brent Housing Partnership (BHP) Limited in October 2017 but properties continue to be held in the company, which has changed its name to First Wave Housing Limited. In addition, a new housing subsidiary company, I4B Holdings Limited, that was created in 2016/17 is now expected to hold material assets at the year end and require consolidation into the group accounts. Given the accelerated audit deadline that the subsidiaries will also need to comply with, the mid year transfer of staff from BHP to the Authority and a new company preparing accounts for the first time, there is a risk that inter-company balances and transactions may not be removed from the consolidation and that costs and income may be either double counted or omitted.

Approach: We will review the process for the transfer of staff from BHP to the Authority to ensure that costs are only accounted for once. We will also review the year end arrangements for agreeing intra group income, expenditure and year end balances and audit the consolidation adjustments during our year end visit. As commented on page 10, we will liaise with the external auditors of the Authority to ensure that we can place reliance on their work and that we are aware of any potential issues that could impact on our audit approach.

2. Financial statements audit planning

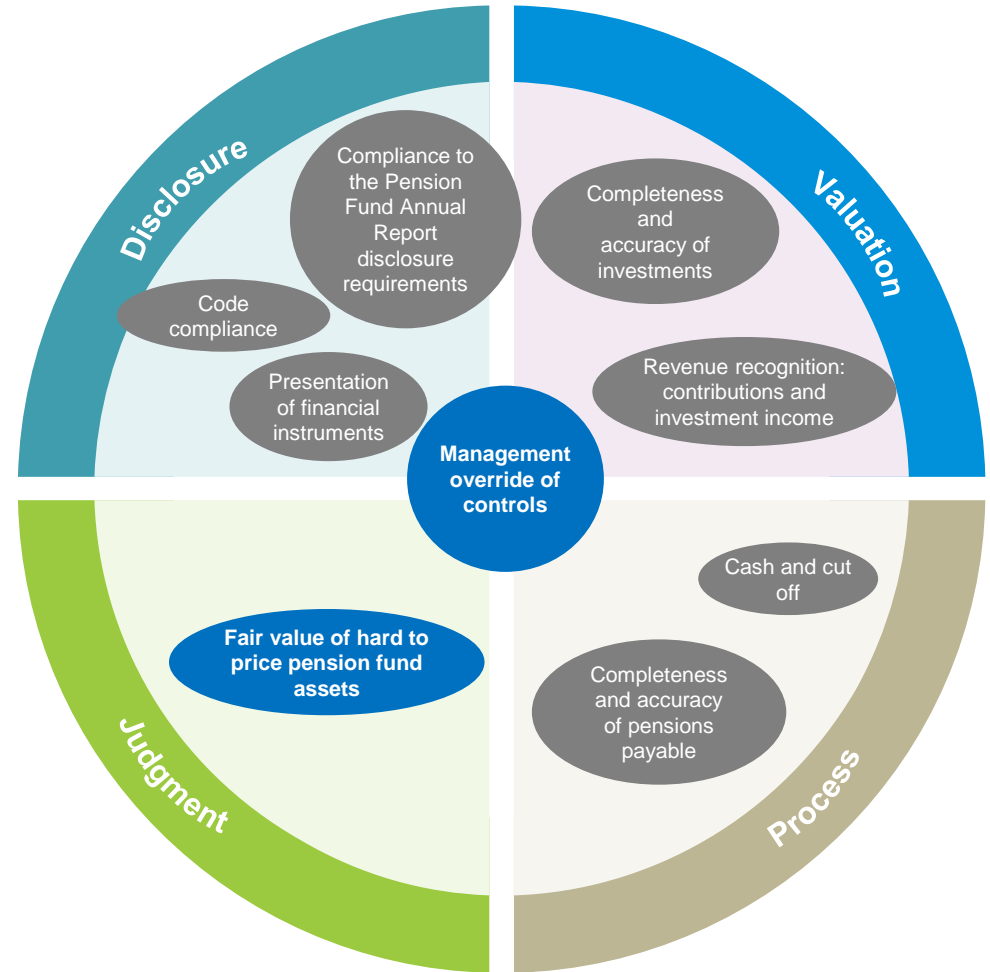
Pension Fund risk assessment

Professional standards require us to consider two standard risks. We are not elaborating on these standard risks in this plan but consider them as a matter of course and will include any findings arising from our work in our ISA 260 Report.

— **Management override of controls:** Management is typically in a powerful position to perpetrate fraud owing to its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Our audit incorporates the risk of Management override as a default significant risk. In line with our methodology, we carry out appropriate controls testing and substantive procedures, including over journal entries, accounting estimates and significant transactions that are outside the normal course of business, or are otherwise unusual.

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Fraudulent revenue recognition: We do not consider this to be a significant risk for local authority Pension Funds as there are limited incentives and opportunities to manipulate the way income is recognised. We therefore rebut this risk and do not incorporate specific work into our audit plan in this area over and above our standard fraud procedures.



Key: ● Significant risk ● Other areas considered

2. Financial statements audit planning

Pension Fund significant audit risks

Those risks requiring specific audit attention and procedures to address the likelihood of a material financial statement error in relation to the Pension Fund.

Valuation of hard to price investments

Risk: The Pension Fund invests in a wide range of assets and investment funds, some of which are inherently harder to value or do not have publicly available quoted prices, requiring professional judgement or assumptions to be made at year end. The pricing of complex investment assets may be susceptible to pricing variances given the assumptions underlying the valuation. In the prior year financial statements £130 million out of total investments of £802 million or 16%, were in this harder to price category.

Approach: We will independently verify a selection of investment asset prices to third party information and obtain independent confirmation on asset existence. We will test to what extent the Pension Fund has challenged the valuations reported by investment managers for harder to price investments and assumptions used in preparing those figures.

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2. Financial statements audit planning

Materiality

We are required to plan our audit to determine with reasonable confidence whether or not the financial statements are free from material misstatement. An omission or misstatement is regarded as material if it would reasonably influence the user of financial statements. This therefore involves an assessment of the qualitative and quantitative nature of omissions and misstatements. Generally, we would not consider differences in opinion in respect of areas of judgement to represent 'misstatements' unless the application of that judgement results in a financial amount falling outside of a range which we consider to be acceptable.

For the Group materiality for planning purposes has been set at £12 million which equates to approximately 1% of 2016/17 group expenditure. The threshold above which individual errors are reported to Audit Committee is £600,000. We will though revisit these figures when the full impact of the changes in subsidiaries in the year is quantified.

For the Authority materiality for planning purposes has been set at £12 million which equates to approximately 1% of 2016/17 Authority expenditure.

For the Pension Fund materiality for planning purposes has also been set at £12 million which equates to approximately 1.5% of the net assets at 31 March 2017.

Reporting to the Audit Committee

Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.

Under ISA 260(UK&I) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

ISA 260 (UK&I) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.

In the context of the Group and the Authority we propose that an individual difference could normally be considered to be clearly trivial if it is less than £600,000.

In the context of the Pension Fund we propose that an individual difference could normally be considered to be clearly trivial if it is less than £600,000.

If management has corrected material misstatements identified during the audit, we will consider whether those corrections should be communicated to the Audit Committee to assist it in fulfilling its governance responsibilities.

Group audit

In addition to the Authority we deem the following subsidiaries to be significant in the context of the group audit: First Wave Housing Limited (formerly Brent Housing Partnership Limited) and I4B Holdings Limited.

To support our audit work on the group accounts, we seek to place reliance on the work of firms who are the auditors to these subsidiaries. We will liaise with them in order to confirm that their programme of work is adequate for our purposes and they satisfy professional requirements.

We will report the following matters in our Report to those charged with Governance:

- Deficiencies in the system of internal control or instances of fraud which the subsidiary auditors identify;
- Limitations on the group audit, for example, where our access to information may have been restricted; and
- Instances where our evaluation of the work the subsidiary auditors gives rise to concern about the quality of that auditor's work.

Liaising with internal audit

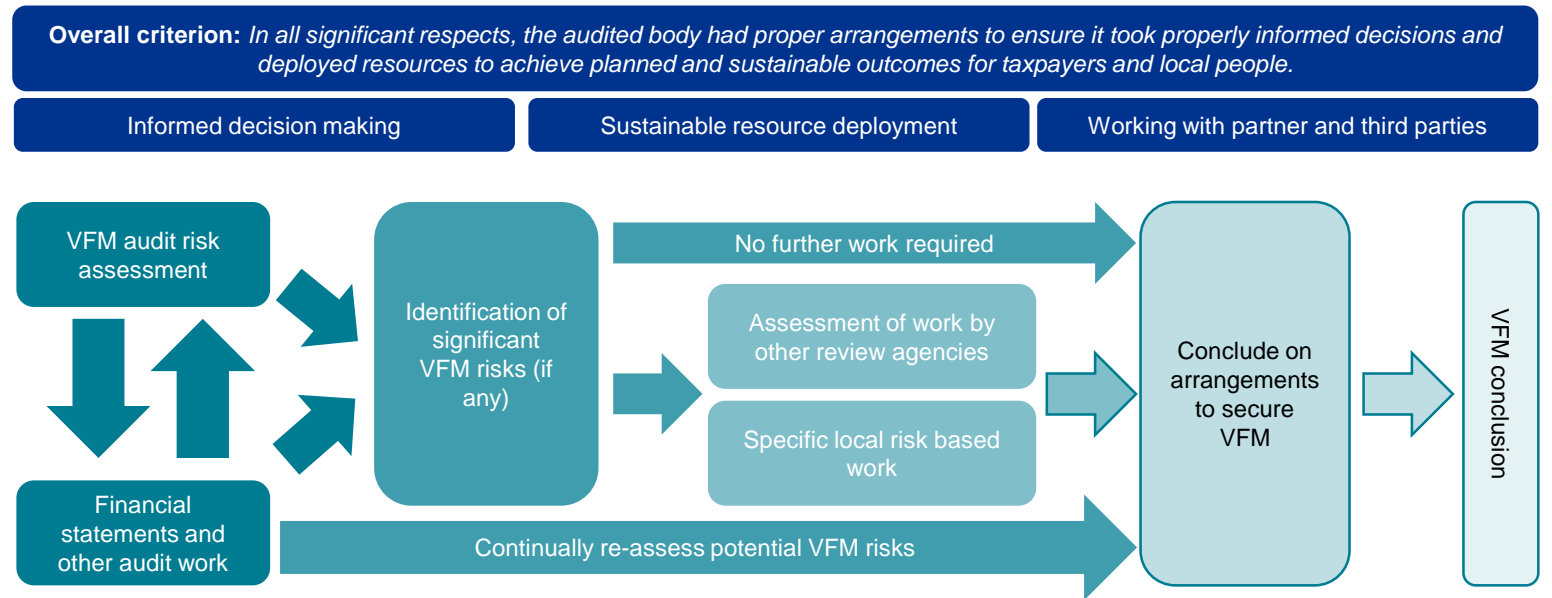
ISA (UK & Ireland) 610 (revised June 2013) defines how we can use the work of internal audit. Our approach ensures we comply with these requirements. We will liaise with internal audit and review the findings from their programme of work for 2017-18. We will also consider any significant control deficiencies identified by internal audit and ensure that we take this into account where relevant to determine the nature of our audit work to ensure the risk is appropriately addressed.

3. Value for money arrangements work

For our value for money conclusion we are required to work to the NAO Code of Audit Practice (issued in 2015 after the enactment of the Local Audit and Accountability Act 2014). Our approach to VFM work follows the NAO's new guidance that was first introduced in 2015-16, is risk based and targets audit effort on the areas of greatest audit risk. We have planned our audit to draw on our past experience of delivering this conclusion and have updated our approach as necessary. We will also consider reports from your regulators and review agencies.

The Local Audit and Accountability Act 2014 requires auditors to be satisfied that the organisation "has made proper arrangements for securing economy, efficiency and effectiveness in its Value for Money". This is supported by the Code of Audit Practice, published by the NAO in April 2015, which requires auditors to "take into account their knowledge of the relevant local sector as a whole, and the audited body specifically, to identify any risks that, in the auditor's judgement, have the potential to cause the auditor to reach an inappropriate conclusion on the audited body's arrangements."

The VFM process is shown in the diagram below:



We have completed our initial planning Vfm risk assessment and have not identified any significant risks for the Vfm conclusion. However we have identified two areas of audit focus which are described overleaf. As we complete our risk assessment we will consider if there are further significant risks and if so report these to the Audit Committee.

3. Value for money arrangements work

VFM other areas of focus

Those risks with less likelihood of giving rise to a significant VFM risk but which are nevertheless worthy of audit understanding.

Delivery of budgets

Risk: The Authority identified the need to make savings of approximately £20 million in 2017/18 to achieve its budget and is currently on track to deliver its services within the overall budget. At the Council meeting in February 2017 that approved the 2017/18 budget, the business plans for 2018/19 was approved which identified and agreed a further £13 million of savings. This will be revisited in February 2018 as the Authority receives formal notice of the Local Government Finance Settlement for 2018/19, the impact of the Autumn Budget is fully analysed and to consider any emerging cost pressures and consultations with the public and stakeholders. The February 2018 Council meeting will also look at the anticipated outlook for 2019/20 where further savings are likely to be required.

Approach: We will review controls the Authority has in place to ensure financial resilience, including how the Authority identifies, approves, and monitors savings plans and how budgets are managed throughout the year. We will also review that the Medium Term Financial Plan has duly taken into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors.

VFM sub-criterion: This risk is related to the following Value For Money sub-criterion:

- Page 99
- Informed decision making;
 - Sustainable resource deployment; and
 - Working with partners and third parties.

Contract monitoring

Risk: The Authority continues to work closely with partners and third parties, either through joint agreements such as the Better Care Fund or the more standard commercial contract with the third party providing the service. Having gone through competitive tendering processes in line with the Authority's regulations, it is vital that contract terms and agreed performance indicators are monitored closely to ensure that the Authority obtains maximum value for money from these contracts.

Approach: We will select a sample of contracts and obtain an understanding of the controls that are in place to monitor the contract, both from a financial viewpoint but also that the quality of the service provided meets the contract specification. We will then test that these controls are operating as expected.

VFM sub-criterion: This risk is related to the following Value For Money sub-criterion:

- Informed decision making; and
- Working with partners and third parties.

4. Other matters

Whole of government accounts (WGA)

We are required to review your WGA consolidation and undertake the work specified under the approach that is agreed with HM Treasury and the National Audit Office. Deadlines for production of the pack and the specified approach for 2017/18 have not yet been confirmed

Elector challenge

The Local Audit and Accountability Act 2014 gives electors certain rights. These are: the right to inspect the accounts; the right to ask the auditor questions about the accounts; and the right to object to the accounts. As a result of these rights, in particular the right to object to the accounts, we may need to undertake additional work to form our decision on the elector's objection. The additional work could range from a small piece where we interview an officer and review evidence to form our decision to a more detailed piece where we have to interview a range of officers, review significant amounts of evidence and seek legal representations on the issues raised. Costs incurred responding to questions or objections raised by electors is not part of the fee. This work will be charged in accordance with PSAA's fee scales.

Our audit team

Our audit team has been drawn from our specialist public sector assurance department and is led by two key members of staff:

- **Andrew Sayers:** your Partner has overall responsibility for the quality of the KPMG audit work and is the contact point within KPMG for the Audit Committee, the Chief Executive and Chief Finance Officer.
- **Steve Lucas:** your Senior Manager is responsible for delivery of all our audit work. He will manage the completion of the different elements of our work, ensuring that they are coordinated and delivered in an effective manner.

The core audit team will be assisted by other KPMG staff, such as risk, tax, clinical or information specialists as necessary to deliver the plan.

Reporting and communication

Reporting is a key part of the audit process, not only in communicating the audit findings for the year, but in ensuring that the audit team is accountable to you in addressing the issues identified as part of the audit strategy. Throughout the year we will communicate with you through meetings with the finance team and the Audit Committee. Our communication outputs are included in Appendix 1.

Independence and Objectivity

Auditors are required to be independent and objective. Appendix 2 provides more details of our confirmation of independence and objectivity.

4. Other matters

Audit fee

Our Audit Fee Letter 2017/2018 presented to you on 24 April 2017 first set out our fees for the 2017/2018 audit. This letter also set out our assumptions. We have not considered it necessary to seek approval for any changes to the agreed fees at this stage.

Should there be a need to charge additional audit fees then this will be agreed with the Chief Finance Officer and PSAA. If such a variation is agreed, we will report that to you in due course.

The planned audit fee for 2017/18 is £199,590 for the Authority (2016/17: £199,590). The planned audit fee for 2017/18 is £21,000 for the Pension Fund (2016/17: £21,000).

Grants and claims work

We undertake other grants and claims work for the Authority that does not fall under the PSAA arrangements:

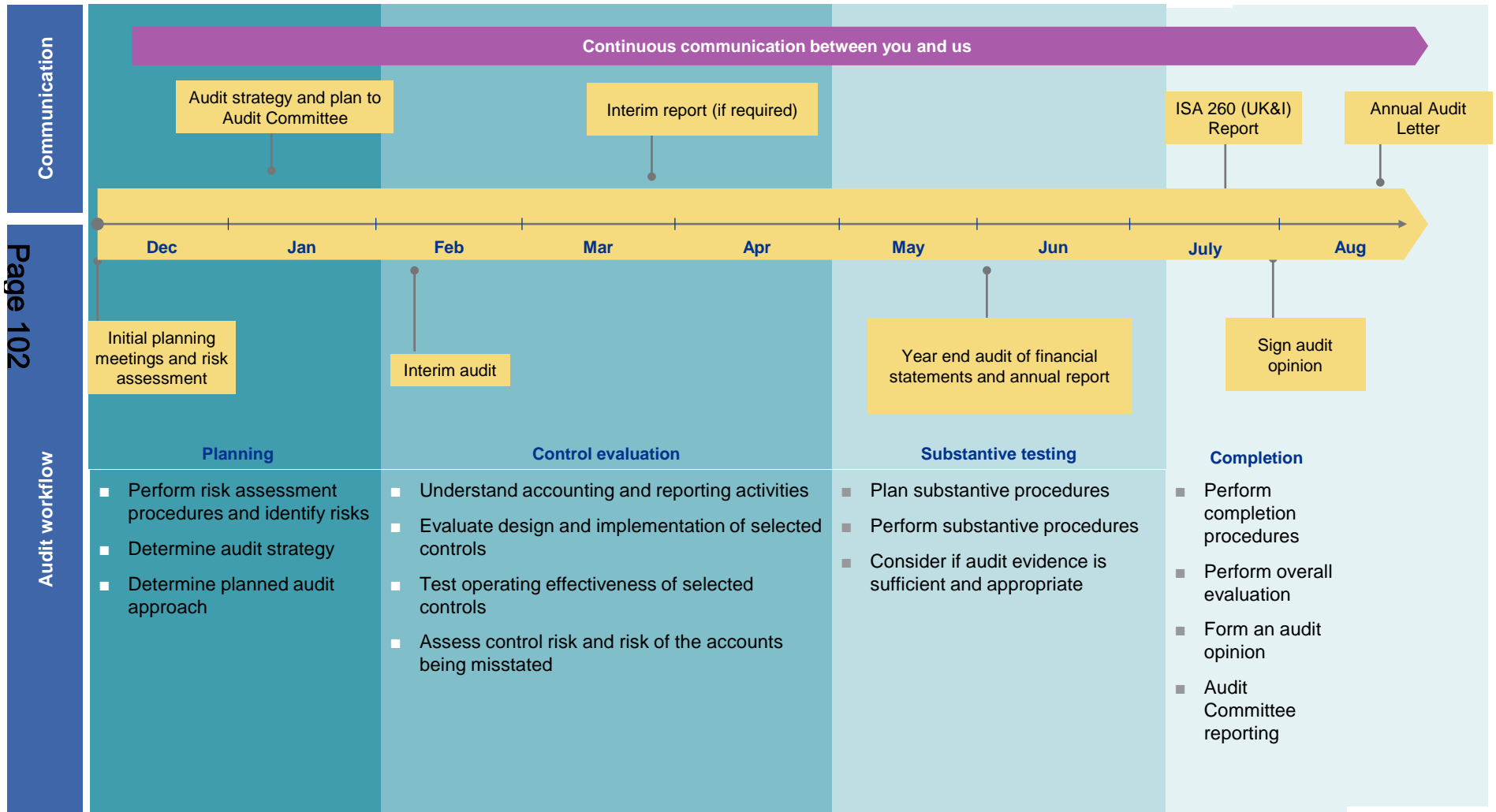
- Housing benefits grant claim: This audit is planned for September. Our fee for this work is £21,663; and
- Pooling of housing capital receipts: This audit is planned for September. Our fee for this work is £3,000; and
- Teachers pension contribution return: This audit is planned for September. Our fee for this work is £3,500.

Public interest reporting

In auditing the accounts as your auditor we must consider whether, in the public interest, we should make a report on any matters coming to our notice in the course of our audit, in order for it to be considered by Members or brought to the attention of the public; and whether the public interest requires any such matter to be made the subject of an immediate report rather than at completion of the audit.

At this stage there are no matters that we wish to report.

Appendix 1: Key elements of our financial statements audit approach



Appendix 2: Independence and objectivity requirements

ASSESSMENT OF OUR OBJECTIVITY AND INDEPENDENCE AS AUDITOR OF LONDON BOROUGH OF BRENT

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

In considering issues of independence and objectivity we consider relevant professional, regulatory and legal requirements and guidance, including the provisions of the Code of Audit Practice, the provisions of Public Sector Audit Appointments Ltd's ('PSAA's') Terms of Appointment relating to independence and the requirements of the FRC Ethical Standard and General Guidance Supporting Local Audit (Auditor General Guidance 1 – AGN01) issued by the National Audit Office ('NAO').

This Appendix is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses: General procedures to safeguard independence and objectivity; Breaches of applicable ethical standards; Independence and objectivity considerations relating to the provision of non-audit services; and Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners, Audit Directors and staff annually confirm their compliance with our ethics and independence policies and procedures. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values; communications; Internal accountability; Risk management; and Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Appendix 2: Independence and objectivity requirements

Independence and objectivity considerations relating to the provision of non-audit services

Summary of fees

We have considered the fees charged by us to the authority and its affiliates for professional services provided by us during the reporting period.

We confirm that all non-audit services have been included in this plan to be approved by the audit committee.

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the following.

Analysis of Non-audit services for the year ended 31 March 2018

Description of scope of services	Principal threats to independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2018	Value of Services Committed but not yet delivered
				£	£
Assurance Report on the Teachers' Pension Return 2017/18	None	None	Estimate of time required to complete the tests set by the Teachers' Pension	-	3,500
Assurance Report on the Pooling of Housing Capital Receipts 2017/18	None	None	Estimate of time required to complete the tests set by the DCLG	-	3,000

Appropriate approvals would be obtained from PSAA for all non-audit services if they exceeded the relevant thresholds during the reporting period. This threshold has not been reached in providing the above services. In addition, we monitor our fees to ensure that we comply with the 70% non-audit fee cap set by the NAO.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit Committee.

Confirmation of audit independence

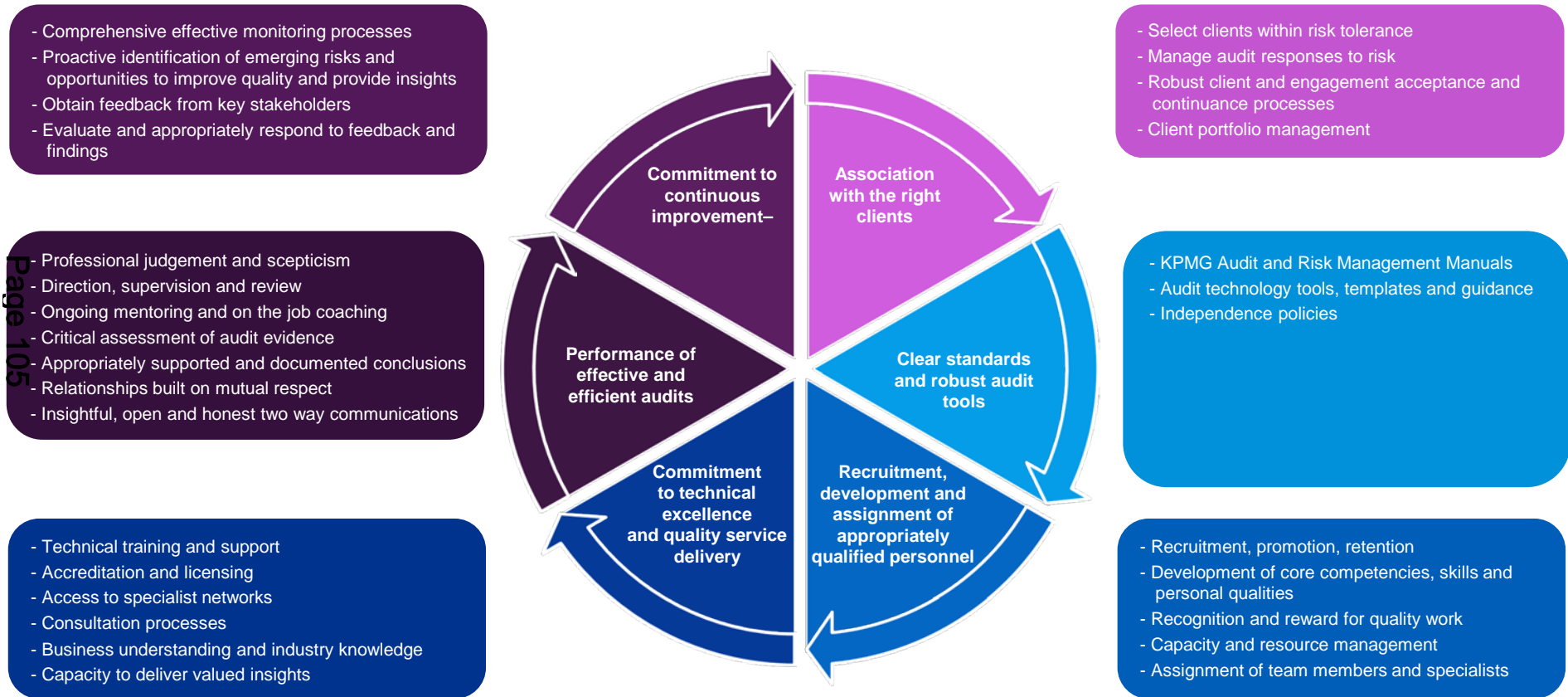
We confirm that as of the date of this report, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the Andrew Sayers, the Partner and the audit staff is not impaired.

This report is intended solely for the information of the Audit Committee of the authority and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Appendix 3: Quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework






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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. We draw your attention to the Statement of Responsibilities of auditors and audited bodies, which is available on Public Sector Audit Appointment’s website (www.psaa.co.uk).

External auditors do not act as a substitute for the audited body’s own responsibility for putting in place proper arrangements to ensure that public 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.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG’s work, in the first instance you should contact Andrew Sayers , the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG’s work under our contract with Public Sector Audit Appointments Limited, Andrew Sayers, by email to Andrew.Sayers@kpmg.co.uk. After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA’s complaints procedure by emailing generalenquiries@psaa.co.uk by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

	<p style="text-align: center;">Audit Advisory Committee 10 January 2018</p>
	<p style="text-align: center;">Report from the Director of Legal and HR Services</p>
<p>Proposed Changes to the Planning Code of Practice</p>	

Wards Affected:	All
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One: <ul style="list-style-type: none"> • Planning Code of Practice (tracked changes)
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Looqman Desai Senior Solicitor (Governance) Email: looqman.desai@brent.gov.uk Tel: 020 8937 1366

1.0 Purpose of the Report

1.1 This report advises Members of proposed changes to the Council's Planning Code of Practice.

2.0 Recommendations

2.1 That the Committee notes the proposed changes to the council's Planning Code of Practice which will be reported to Full Council for approval on 22 January 2018.

3.0 Detail

3.1 For many years the Council's Members' Code of Conduct has been supplemented by a Planning Code of Practice (the planning code). The planning code provides additional guidance to all Members, but Members of the Planning Committee in particular, both in respect of how the requirements of the Members' Code of Conduct apply in a planning context and also on the standards of conduct and practices which are specific to planning decision making.

- 3.2 The Council's current planning code was most recently reviewed and subsequently approved in 2014. As part of a wider review of the terms of reference of the Planning Committee and Standing Orders relating to planning procedures, the planning code has been reviewed by the Council's Constitutional Working Group (CWG) with the aim of updating it and improving it in response to local experience and in line with good practice. The opportunity has also been taken to codify advice and guidance issued to Members by the Monitoring Officer from time to time. More recently, the draft changes have been extended to cover pre-application discussions and discussions about undecided applications between Members and developers.
- 3.3 The revised planning code is attached at **Appendix 1** and the proposed changes have been tracked. This is a summary of the key changes:
- (i) Additional guidance explaining the difference between predisposition (which is lawful) and predetermination (which is unlawful).
 - (ii) The rules on when Councillors can request that a planning application is considered by the Planning Committee (i.e. councillor call-in powers) have been incorporated into the proposed changes to the terms of reference of the Planning Committee and removed from the planning code.
 - (iii) Removal of the requirement for planning applications submitted by Planning Committee Members to be decided by the Planning Committee in all cases. Instead normal rules, i.e. the updated and improved terms of reference of the Planning Committee (as proposed) which set out when applications have to or can be considered by the Committee, will apply. The relevant criteria, including the general discretion officers have to refer applications to the Planning Committee, provide proportionate safeguards. However, applications considered under officer delegated powers will be approved by the Head of Planning or the Strategic Director Regeneration and Environment.
 - (iv) Additional guidance on lobbying.
 - (v) There is a new section on 'Discussions between members and meetings with developers or their representatives'. This in part incorporates into the code ad hoc advice issued by the Monitoring Officer to Members in the recent past and in part strengthens the Council's commitment to being seen to be promoting good practice. The requirements aim to strike a proper balance between promoting public confidence in the integrity of the planning process and the legitimate reality of local government life. Of particular note is the requirement that pre-application discussions or discussions about undecided applications between Members and developers (or their representatives), are arranged, attended and documented by an officer.

- (vi) The section on Planning Committee site visits has been amended: site visits will be agreed by the Chair of the Planning Committee and the Head of Planning and the purpose of site visits has been clarified.
- (vii) The requirement to defer an application if the Planning Committee is minded to grant planning permission contrary to the recommendation of officers has been removed. The inflexibility is no longer considered to be necessary or even appropriate. Instead, there is additional guidance on when Members should consider deferring decisions and the following proportionate safeguards will be written into Standing Orders. The requirement for Members to (1) give relevant and sufficient planning reasons, (2) give officers an opportunity to explain the implications of the contrary decision, (3) consider deferring the application and (4) to vote not to defer whenever Members are minded to grant *or refuse* planning permission contrary to the recommendation of officers.
- (viii) The requirement for the planning code to be reviewed every three years has been extended to 4 years.

3.4 The planning code is also being independently reviewed by a planning expert. As previously mentioned, the internal review of the planning code is part of a wider review of planning changes to the Constitution which will be reported to Full Council as a complete package of reforms at its next meeting which there is no need to delay. If any recommendations for further improvements are made, the planning code will be the subject of further consideration and any additional changes will be reported to Full Council for approval.

4.0 Financial Implications

4.1 None.

5.0 Legal Implications

5.1 These are contained within the report.

6.0 Equality Implications

6.1 None.

7.0 Consultation with Ward Members and Stakeholders

7.1 Not applicable.

Report sign off:

DEBRA NORMAN

Director of Legal and HR Services

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PLANNING CODE OF PRACTICE

Purpose of this Code

The Planning Code of Practice has been adopted by Brent Council to regulate the performance of its planning function. Its major objectives are to guide members and officers of the Council in dealing with planning related matters and to inform potential developers and the public generally of the standards adopted by the Council in the exercise of its planning powers. The Planning Code of Practice is, in addition to the Brent Members' Code of Conduct, adopted by the Council under the provisions of the Localism Act 2011. Members ~~should~~**must** follow the requirements of the Brent Members' Code and apply this Code in light of the Members' Code. The standards of behaviour expected of officers is set out in a separate Code of Conduct and Conflict of Interest policy which all officers are required to follow. In addition, employees have to follow all other relevant HR policies of the Council as well as the terms and conditions of their contract of employment. The purpose of this Code is to provide more detailed guidance on the standards to be applied by members specifically in relation to planning matters.

The Code seeks to ensure that officers and members consider and decide planning matters in a fair, impartial and transparent manner. The provisions of this code are designed to ensure that planning decisions are taken on proper planning grounds, are applied in a consistent and open manner and that members of the Planning Committee making such decisions are, and are perceived as being, accountable for those decisions. The Code is also designed to assist members of the Council in dealing with and recording approaches from developers and objectors and is intended to ensure that the integrity of the decision-making process is preserved.

Deleted:

If a member does not abide by this Code the member may put the Council at risk of proceedings on the legality or maladministration of the related decision; and the member may be at risk of either being named in a report to the Standards Committee or Council; or if the failure to abide by the Code is also likely to be a breach of the Members' Code of Conduct, of a complaint being made to the Monitoring Officer.

If you have any doubts about the interpretation of this code, you should consult appropriate officers on the point.

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General

- 1 Members of the Planning Committee shall determine applications in accordance with the relevant planning national, strategic, local and neighbourhood policy framework, Unitary Development Plan unless material considerations indicate otherwise. The Brent Members' Code of Conduct and the law relating to Brent Council members' disclosable pecuniary interests, personal interests and prejudicial interests must be complied with throughout the decision making process. Decisions should not be influenced by the interests of Councillors or because of pressure exerted by applicants, agents or third parties. Members of the Planning Committee must take decisions in the public interest and take account only of material planning considerations. They should not allow themselves to be influenced by members of the public and applicants, agents or third parties who might approach them and they should not be directed by party politics.

Deleted: influenced

Deleted: quasi-judicial

- 2 The council's planning process is a formal administrative process and members of the Planning Committee have a duty to follow the rules of natural justice and in accordance with the council's duty to act in a way that is compatible with Convention rights under the Human Rights Act 1998.
- 3 The rules of natural justice include: the duty to act fairly; the duty to give all those who will be affected by a decision the opportunity of a hearing before a decision is made; and the principle that no person should be a judge in his or her own cause. That principle means that members must be and be seen to be impartial and without bias, and that members should not take part in any decision that affects their own interests.
- 4 The Human Rights that are particularly relevant to Planning decisions are Article 6, the right to a fair hearing; Article 1 of the First Protocol, the right to peaceful enjoyment of a person's property and possessions; and Article 8, the right to respect for a person's private and family life, home and possessions.

Bias and Predetermination

- 5 Members should not take a decision on a matter when they are actually biased in favour or against the application, or when it might appear to a fair minded and informed observer that there was real possibility of bias, or where a member has predetermined the matter by closing their mind to the merits of the planning matter decision before they come to take a decision on it.

6 The courts have sought to distinguish between situations which involve predetermination or bias on the one hand and predisposition on the other. The former is indicative of a "closed mind" and likely to leave the committee's decision susceptible to challenge by Judicial Review or complaint to the Ombudsman. The latter reflects the legal position that a councillor is entitled to have an opinion on a planning matter before it comes to committee provided that he/she remains open to listening to all the arguments presented at the meeting and the possibility of changing his/her mind as a result.

- 7 Section 25 of the Localism Act 2011 provides that a councillor should not be regarded as having a closed mind simply because they previously did or said something that, directly or indirectly, indicated what view they might take in relation to any particular matter.

- 8 Although the Localism Act recognises the reality of the role of members in matters of local interest and debate, it does not amount to the abolition of the concept of predetermination. A member taking part in a decision on a planning matter must be open to any new arguments about the matter up until the moment of a decision. A member should not comment or make any commitment in advance as to how they intend to vote which might indicate that they have closed their mind. Any planning decision made by a member who can be shown to have approached the decision with a closed mind will still expose the council to the risk of legal challenge.

Accountability and Interests

9 Members of the Council who have business or other interests which may bring them into contact with the Council's planning system on a regular basis should not be considered for membership of the Planning Committee. Those interests might include acting as an agent or consultant with respect to planning applications in the borough.

~~6. — Members of the Council who are consistently unable to support the Council's planning policies should not be considered by their political group for membership of the Planning Committee.~~

10 If a member who is not a member of the Committee makes representations to the Committee, either in person or in writing, the member shall state the reason for wishing to do so. Such a member shall disclose whether or not he/she has been in contact with the applicant, agent, objector(s) or any other interested party concerning the planning matter.

Interests

11 If a member of the Council has a **personal interest** in any planning application or other matter before the Planning Committee, then the member shall, if present, disclose the existence and nature of the interest before the matter is discussed or as soon as it becomes apparent. If, in accordance with paragraph 12 of the Members' Code of Conduct, the interest is a 'sensitive interest', the member must disclose to the meeting that he/she has an interest that is sensitive but need not disclose the nature of the interest or any other sensitive information. The member may then speak and, if applicable, vote on that particular item.

12 If a member of the Council has a **prejudicial interest** in any planning application or other matter before the Planning Committee, then the member shall, if present, disclose the existence and nature of the interest before the matter is discussed or as soon as it becomes apparent. If, in accordance with paragraph 12 of the Members' Code of Conduct, the interest is a 'sensitive interest', the member must disclose to the meeting that he/she has an interest that is sensitive but need not disclose the nature of the interest or any other sensitive information. If a member has a prejudicial interest in a planning matter the member must withdraw from the room where the meeting is being held and not take part in the discussion or vote on the matter, save that if a member of the public has the right to attend the meeting, make representations, answer questions, or give evidence, then a member will have the same right. Once the member has exercised that right then the member must withdraw from the room for the rest of that item and play no further part in the discussion or vote.

13 If a member of the Council is aware he/she has a **disclosable pecuniary interest** in any planning application or other matter before the Planning Committee, then the member shall, if present, disclose the existence and nature of the interest before the matter is discussed or as soon as it becomes apparent. If, in accordance with paragraph 12 of the Members' Code of Conduct, the interest is a 'sensitive interest', the member must disclose to the meeting that he/she has an interest that is sensitive but need not disclose the nature of the interest or any other sensitive information. If a member has a disclosable pecuniary interest in a planning matter the member must withdraw from the room where the meeting is being held and not take part in the discussion or vote on the matter. If a member has a disclosable pecuniary interest these prohibitions apply to any form of participation, including speaking as a member of the public. In other words, it does not matter in what capacity the member attends

the meeting.

14 If a member has a disclosable pecuniary interest in any planning application or other matter before the Planning Committee, and the interest is not entered in the council's register, and is not the subject of a pending notification, he/she must notify the Monitoring Officer of the interest before the end of 28 days beginning with the date of the meeting.

15 A failure to comply, without reasonable excuse, with the rules relating to disclosable pecuniary interests can be an offence.

16 If a member of the Council has a disclosable pecuniary interest or a prejudicial interest in a planning application or other matter before the Committee, he/she shall not exercise his or her discretion to require the application or other matter to be referred from officers to the Planning Committee for consideration: ~~and nor shall he/she exercise his/her right to request a site visit.~~

17 For the avoidance of doubt, where a member of the Council is a Freemason or a member of a similar secret society and is aware that the applicant, agent or other interested party in relation to a particular planning application is also a Freemason or a member of the same secret society, the member shall treat this as a prejudicial interest.

18 The Monitoring Officer shall maintain a register of contact made by applicants, agents or interested parties with individual members of the Council on each and every planning application, in which members of the Planning Committee must record approaches referred to in paragraph 26 and other members of the Council may record such approaches if they so wish.

19 If any officer of the Council who is involved in making recommendations or decisions on planning applications has had any involvement with an applicant, agent or interested party, whether or not in connection with the particular application being determined, which could possibly lead an observer with knowledge of all the relevant facts to suppose that there might be any possibility that the involvement could affect the officer's judgement in any way, then that officer shall declare a prejudicial interest in the public register held by the Strategic Director Regeneration and Environment and take no part in the decision making process. The declaration of such interest shall also be recorded in the minutes of the meeting. This public register will be available for inspection at Planning Committee meetings.

20 No officer of the Council shall engage in any paid work for any town planning matter for which Brent is the Local Planning Authority other than on behalf of the Council.

21 In relation to all matters not addressed above, all such officers shall comply with the Royal Town Planning Institute [Practice Advice on Ethics and Professional Standards](#), ~~[Practice Advice Note No.5 relating to Consultancy by Current and Former Employees](#)~~ or ~~or~~ any guidance replacing this.

Call in powers

~~10. — Where under the provisions of the Constitution three members of the Council ask for an application or other matter to be decided by Committee rather than by officers, their~~

~~request shall state:~~

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~~(i) — the reason(s) which should solely relate to matters of material planning concern why they feel the application or other matter should not be dealt with under delegated powers; and~~

~~(ii) — whether or not they have been approached by any person concerning the application or other matter and if so, by whom.~~

~~— This information shall then be included in the relevant Planning Committee report.~~

~~— Unless the request and the necessary supporting information outlined above has been provided by both members at least one week prior to the relevant meeting then the matter shall proceed to be determined by officers in accordance with their delegated powers.~~

~~11. — A member considering using the “call in” power should consider whether their objective could be achieved by an alternative means, for example by discussing the matter further with the relevant officer or facilitating a meeting between an objector and an officer, bearing in mind the additional cost to the council when a matter has to be considered by Committee. Where the call in power is exercised the sponsoring member should attend the associated site visit and committee meeting.~~

Development proposals submitted by Councillors ~~who sit on the Planning Committee~~

22 ~~If a Councillor submits an application for planning permission they must inform the Council's Monitoring Officer ~~should be informed~~ of such a planning application. If the application can be dealt with under officer delegated powers, the decision must be approved by either the Head of Planning or the Strategic Director Regeneration and Environment. Councillors must not use or attempt to use their position as a Member improperly to confer on or secure for themselves or any other person, an advantage or disadvantage. When Councillors seek to exercise rights that others would have in their situation, they must do so in the same way that a member of public would i.e. at arm's length and using the same official processes. This also applies to Councillors assisting an interested party. ~~submits their own proposal to the Council which they serve, they should take no part in its processing. A Councillor who acts as an agent or representative for someone pursuing a planning matter with the authority should also take no part in its processing.~~~~

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Development proposals where the Council is the applicant or landowner

23 Where the council itself is the landowner or planning applicant then a Planning member should consider whether he or she has had such a significant personal involvement in advocating for, preparing or submitting the planning proposal that the member would be likely to be perceived as no longer able to act impartially or to determine the proposal purely on its planning merits. A member would not be required to withdraw simply because they were, for example, a member of both the Cabinet, or a proposing committee, as well as the planning committee. However a member with a relevant portfolio or individual responsibility for implementing a particular policy should carefully consider whether that role makes it inappropriate for them to participate in a particular planning decision.

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Approaches to members of the Planning Committee

- 24 A member of the Planning Committee who has been lobbied and wishes to support or oppose a proposal or a Ward Councillor who wishes to campaign for or against a proposal, will not be able to decide the application.
- 25 If an approach is made to a member of the Planning Committee from an applicant or agent or objector or other interested party in relation to a particular planning application or any matter which may give rise to a planning application, the member of the Planning Committee shall:
- (i) inform the person making such an approach that such matters should be addressed to officers or to members who are not members of the Planning Committee.
 - (ii) disclose the fact and nature of such an approach at any meeting of the Planning Committee where the planning application or matter in question is considered; and
 - (iii) record the approach in the register maintained by the Monitoring Officer under paragraph 18.
- 26 For the avoidance of any doubt, if the applicant, agent or objector or other interested party attend and/or speak at a Council organised briefing for members of the Planning Committee then that briefing does not constitute an approach which has to be registered with the Monitoring Officer or disclosed under (ii).
- 27 Where a planning application is to be determined under delegated powers Councillors should not put improper pressure on officers for a particular recommendation or do anything which compromises, or is likely to compromise the officer's impartiality.

Discussions between members and meetings with developers or their representatives

28. Provided Members comply with the practical requirements of this code and the requirements of the Members' Code of Conduct, there is no legal rule against Members, whether of the same group or not, discussing strategic planning issues, general policy issues or even future decisions.
29. Similarly, joint working, both formal and informal, and dialogue between Members of the Planning Committee and Members of the Cabinet is recognised as a legitimate reality of local government life. Members of the Planning Committee need to ensure that when making planning decisions, they make up their own mind and on the planning merits.
30. Relevant Members of the Cabinet are entitled to meet with developers or their representatives and other relevant stakeholders as part of their role to promote Brent and the regeneration, development and other commercial opportunities available in the borough. In doing so, Members of the Cabinet must always act in the best interests of the council and ultimately in the public interest, and in accordance with the high standards of conduct expected of Members, to ensure that the integrity of the planning process is not undermined and the council is not brought into disrepute.
31. Reasonable care and judgement should be exercised in relation to such meetings, taking into account the purpose of the meeting, the nature of the issues to be discussed and the

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timing. In appropriate circumstances, exercising proper judgement may include ensuring, a record is kept of the meeting. Cabinet Members should make sure it is understood that their participation in marketing events or commercial discussions is separate from the administrative and regulatory roles of Members of the Planning Committee.

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32. Although Members of the Cabinet are entitled to express support or opposition to development proposed in the borough, they cannot use their position as a Member improperly to confer on or secure for any person, an advantage or disadvantage.

33. As pre-application discussions or discussions about undecided applications require particular care, the following additional rules apply. An officer must make the arrangements for such meetings, attend and write notes. The meeting arrangements must include agreeing an agenda in advance.

Planning Committee Site Visits

~~Save as provided by paragraph 14 above, any two members of the Council can request a site visit prior to a meeting of the Planning Committee at which the application in respect of the request is to be considered. The members shall provide the following details at least two weeks before the date of the meeting at which the application is to be considered and a record shall be kept of those details:~~

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- ~~(i) their name;~~
- ~~(ii) the reason for the request; and~~
- ~~(iii) whether or not they have been approached concerning the application or other matter and if so, by whom.~~

~~34. If the details are not provided then the site visit shall not proceed. Alternatively, during any meeting of the Planning Committee, any member of the Planning Committee may request a site visit in respect of any application on the agenda of the meeting. The~~

~~member must give the reason for the request. The purpose of a site visit is to gain information relating to the land or buildings which are the subject of the planning application or other matter to be considered by the Planning Committee. A site visit may also assist members of the Planning Committee in matters relating to the context of the application or other matter in relation to the characteristics of the surrounding area enable Planning Committee Councillors to view the site and to better understand the impact of the development. Councillors can however ask the Planning Officer present questions or raise points of clarification.~~

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35. The Chair of the Committee and the Head of Planning shall agree which sites should be visited in advance of the Committee meeting. A site visit should not be necessary for all proposals, only where a proposal appears to be particularly contentious, is of major importance to the area, or the particular circumstances of the site mean that photos, images and plans do not sufficiently portray the site's context.

36. Members of Planning Committee shall not enter any premises which are the subject of a planning application or other matter or known by them to be likely to become such in order to meet the agent, applicant or other interested party, save in the course of a formal accompanied site visit. In exceptional circumstances such as where a member of the Planning Committee is unable to attend the official site visit that has been

arranged, a site visit by an individual member may be carried out. The Councillor should provided that the member is accompanied by a planning officer avoid making themselves known to the applicant or to neighbours. Accordingly, he/she should not go onto private land, such as the application site or a neighbouring property. The reason for this is that contact between a Planning Committee Councillor and the applicant or a local resident could be misinterpreted as lobbying and may create a suspicion of bias. If such contact is made this should be declared in Committee, but this should not prevent that Councillor from taking part in the consideration of that application.

~~On-site visits applicants or other interested parties shall only be permitted to point out to those members of the Planning Committee attending the site visit the features to look at either on the site or in the vicinity, which are relevant to the application or other matter. No discussion will take place on the merits of the application or other matter.~~

~~37. Whilst on site visits, members of Planning Committee shall keep together as a group and shall not engage individually in discussion with applicants or any members of the public who happen to be there. ~~objectors. Members should take care not to show any apparent partiality to people they already know when acknowledging members of the public or applicants that are present.~~ Members attending the site visit should avoid expressing opinions about the application either to another Planning member, or to any person present.~~

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~~38. Failure to attend a formal site visit shall not bar a Planning Committee Councillor from voting on an item at the Committee meeting that considers it, provided the Planning Committee Councillor is satisfied that he/she is sufficiently familiar with the site.~~

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Membership and Jurisdiction of the Planning Committee

~~39~~ When the membership of the Planning Committee is determined, care shall be taken to ensure that for each Ward there is always at least one Councillor who is not a member of Planning Committee. This is so that there will always be a Councillor who is not a member of the Planning Committee with whom residents will be able to discuss planning matters.

~~40.~~ Any briefings which may be held prior to the Planning Committee meetings shall be open to all members (and alternates) of the Planning Committee. These briefings can help to speed up decision making by giving officers notice of additional information members of the Planning Committee may require at the meeting.

~~41.~~ All members of Planning Committee, and in particular the Chair, shall be informed from time to time about the relevant provisions concerning access to information contained in the Local Government Act 1972 and in the event of any dispute between members of the Planning Committee and officers as to the application of the 1985 Act, the advice of the Chief Legal Officer or his or her representative shall be obtained forthwith.

Meetings of the Planning Committee

~~42. As decision makers members of the Planning Committee must not only ask themselves the right questions but must take reasonable steps to acquaint themselves with the relevant information to enable themselves to answer them correctly. If, for example, material amendments are made to an application, and members feel they have not had sufficient time to understand the new information or that the information before them is insufficient, consideration should be given to deferring the decision or,~~

~~if necessary, refusing the application. No material revision to any planning application which might lead to a change in the recommendation of officers shall be considered at Planning Committee unless it has been submitted such reasonable period in advance of the relevant Planning Committee meeting as is agreed by the Development Management Manager/Head of Area Planning and has been the subject of a full appraisal by officers and consultation where necessary and that the minutes shall record the fact that revisions have been made to the application and the reasons for these shall be recorded in the supplementary information.~~

43. ~~At meetings, members of the Planning Committee may be given the opportunity to consider material (e.g. written statements, photos, drawings etc.) circulated by one of the interested parties or the public. As this material may not be relevant or accurate or may otherwise call into question whether an application or matter has been dealt with fairly and properly, members should only consider material which officers have provided or which the Chair or the Committee has authorised.~~

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~~If the Planning Committee wishes to grant planning permission contrary to officers' recommendations the application shall be deferred to the next meeting of the Committee for further consideration. Following a resolution of "minded to grant contrary to the officers' recommendation", the Chair shall put to the meeting for approval a statement of why the officers' recommendation for refusal should be overturned, which, when approved, shall then be formally recorded in the minutes. When a planning application has been deferred, following a resolution of "minded to grant contrary to the officers' recommendation", then at the subsequent meeting the responsible officer shall have the opportunity to respond both in a further written report and orally to the reasons formulated by the Committee for granting permission. If the Planning Committee is still of the same view, then it shall again consider its reasons for granting permission, and a summary of the planning reasons for that decision shall be given, which reasons shall then be formally recorded in the minutes of the meeting.~~

44. ~~Members are entitled to make a decision which is different from the officer recommendation for good reasons. Sometimes this will relate to conditions or terms of a s106 obligation. Sometimes it will change the outcome, from an approval to a refusal or vice versa. If a member is proposing or supporting a decision contrary to the officer recommendation he/she must understand, articulate and explain the planning reasons why. These reasons must address the issues on which the member disagrees with the officer recommendation and be given prior to the vote and recorded in detail by officers. Also prior to the vote, officers must be given an opportunity to explain the implications of the contrary decision, including an assessment of a likely appeal outcome, and chances of a successful award of costs against the council. Where there is uncertainty or concern about the validity of reasons, members must consider deferring to another meeting to have the reasons tested and assessed by officers in a follow-up report. All of these requirements are the individual responsibility of each member departing from an officer recommendation. Chair shall put to the meeting for approval a statement of either:~~

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~~reasons for refusal of the application, which if approved agreed shall be entered into the minutes of that meeting. Where the reason for refusal proposed by the Chair is not approved by the meeting, or where in the Chair's view it is not then possible to formulate planning reasons for refusal, the application shall be deferred for further consideration at the next meeting of the Committee. At the next meeting of the Committee the application shall be accompanied by a further written report from officers, in which the officers shall advise on possible planning reasons for refusal and the evidence that would be available to substantiate those reasons. If the Committee is still of the same view then it shall again consider its reasons for refusing permission which shall be recorded in the minutes of the meeting.~~

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45. Members of the Planning Committee shall refrain from personal abuse and party political considerations shall play no part in their deliberations. Members of the Planning Committee shall be respectful to the Chair and to each other and to officers and members of the public including applicants, their agents and objectors and shall not bully any person. ~~Members of the Planning Committee should not make up their mind before hearing and considering all relevant information at the meeting and should not declare in advance of the vote, how they intend to vote on a particular application or other matter.~~

46. Members of the Planning Committee should not speak to members of the public (including applicants, agents and journalists) during a meeting of the Planning Committee or immediately prior to or after the meeting concerned, other than where permitted by this Code or Standing Orders.

47. When questioning members of the public or the applicant who have spoken at a meeting of the Committee, members of the Planning Committee shall ensure that their questions relate only to planning matters relevant to the particular application, and the question should not be party political.

~~The minutes of the Planning Committee shall record the names of those voting in favour, against or abstaining:~~

~~(i) on any resolution of "Minded to grant or minded to refuse contrary to Officers Recommendation";~~

~~(ii) on any approval or refusal of an application referred to a subsequent meeting following such a resolution.~~

48. A member of the Planning Committee shall not vote in relation to any planning matter unless he or she has been present in the meeting of the Planning Committee throughout the consideration of that particular matter as required by Standing Orders. ~~Any dispute as to whether the member of the Planning Committee in question should be permitted to vote shall be decided by the Chair having taken appropriate advice from legal or other officers present.~~

49. Unless all members of the Planning Committee indicate that they intend to vote in accordance with the officers' recommendation on a particular item, the responsible officer shall be allowed time, at the beginning of the consideration of each application, to summarise his or her advice. If after discussion it appears that any member of the Planning Committee is minded to vote contrary to the officers' recommendation, the officer shall be allowed a further opportunity to respond to new points which have been raised, and to address the implications of a contrary decision.

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Member and Officer Relations

50. Any criticism by members of Planning Committee of officers in relation to the handling of any planning matter shall be made in writing to the Strategic Director Regeneration and Environment and not to the officer concerned. No such criticism shall be raised in public.

51. If any officer feels or suspects that pressure is being exerted upon him or her by any member of the Council in relation to any particular planning matter, he or she shall

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forthwith notify the matter in writing to the Strategic Director Regeneration and Environment.

52. Members of Planning Committee shall not attempt in any way to influence the terms of the officers' report or recommendation upon any planning matter.

Training

53. Members of the Planning Committee (and substitute members) must participate in a programme of training on the planning system and related matters ~~as decided by the council from time to time agreed with by and organised by officers~~. The programme will consist of compulsory and discretionary elements. If a Member of the Planning committee fails to participate in compulsory elements of the training this may result in that member being asked to stand down as a member of Planning Committee.

54. Members should be aware that training is particularly important for members who are new to the Planning Committee and for members who have not attended training in the recent past.

55. Where a member has a genuine difficulty in attending any particular training session officers will try when practicable to accommodate a request for an individual or repeat session.

Review of Code of Practice

56. The Chief Legal Officer ~~will~~ commission a report independent of the planning service ~~in early 2018, and once every four years thereafter~~ on the operation of this Code of Practice. The report should address the extent of compliance with ~~this~~ Code, contain an analysis of decisions being made against officers' recommendations and set out any appropriate recommendations for improvement.

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 Brent	Audit Advisory Committee 10 January 2018
	Report from the Chief Finance Officer
Payroll Audit Report	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One: • Internal Audit Report 2017/18 – Payroll
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Michael Bradley Head of Audit & Investigations Email: michael.bradley@brent.gov.uk Tel: 020 8937 6526

1.0 Purpose of the Report

- 1.1 The attached report includes findings, risks and recommendations and the actions agreed by management following a recent audit of the Council’s Payroll arrangements.

2.0 Recommendation

- 2.1 That the Audit Advisory Committee notes the main issues highlighted in the report following a ‘limited assurance’ audit opinion and the actions to be taken by management to address them.

3.0 Detail

- 3.1 An audit of the Council’s Payroll arrangements was added to the 2017/18 annual audit plan by the Head of Audit after consultation with management.
- 3.2 A final report was issued in December 2017. The service have been asked to ensure that an appropriate officer is in attendance at the Audit Advisory Committee meeting to respond to any questions the Committee may have.

4.0 Financial Implications

4.1 None. There are no specific financial implications associated with noting this report. An inadequate control environment covering payroll arrangements can increase the risk of loss through error and fraud.

5.0 Legal Implications

5.1 None.

6.0 Equality Implications

6.1 None.

7.0 Consultation with Ward Members and Stakeholders

7.1 None.

8.0 Human Resources/Property Implications (if appropriate)

8.1 None.

Report sign off:

CONRAD HALL
Chief Finance Officer

Internal Audit Report 2017/18

Payroll

Vik Kapoor

Final

December 2017

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Click to launch



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Appendices

- A. Basis of our classifications
- B. Limitations and responsibilities
- C. [Best practice and insight]

Distribution list

For action:

Payroll, Pensions, Recruitment and MI Manager
Principal Payroll Officer
Chief Finance Officer

For information:

Strategic Director Resources

Executive summary (1 of 6)

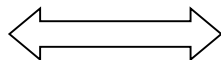
Report classification



Limited

Page 127

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Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	-	4	-	-
Operating effectiveness	-	2	2	2	-
Control design and operating effectiveness	-	2	2	-	1
Total	-	4	8	2	1

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.



Executive summary (2 of 6)

Headlines/summary of findings

Overall conclusions

The objective of this review was to identify and test the design and operating effectiveness of key controls in relation to the Council's payroll process. A number of areas for further improvement have been identified. We identified four high priority, nine medium and one low risk finding as a result of the review.

It should be noted that whilst we were given assurances by management that the parameters for statutory deductions are set by the provider of One Oracle (Cap Gemini), we were unable to confirm this as evidence was not provided by management. We are therefore unable to provide any assurance that these deductions are accurately and consistently applied.

Key Findings

The high risk findings relate to:

- *Net Pay Variance Exception Reports* - Not all variances in the monthly report of variances in net pay from previous month to current month have been checked as required. **See Finding #1**
- *Acting up and Honoraria Payments* – Some acting up and honoraria payments were awarded for periods of more than six months and some for more than three increments. In both scenarios, the appropriate authorisation from the HR Director had not been obtained. **See Finding #2.**
- *Overtime* – Overtime claim spreadsheets are not always completed in full or submitted on a timely basis. The submission of overtime claim spreadsheets is not restricted and does not need to be submitted via a manager. **See Finding #3.**
- *Overpayments* – There is currently no policy in place for the recovery of overpayment from both existing and ex-employees. The total value of overpayments made is not currently monitored or reported. There is no analysis undertaken of the root cause of overpayments. No follow-up action has been taken on the recovery of overpayments to ex-employees. The level of overpayments currently stands at £124,000 for current employees and £195,000 for ex-employees. **See Finding #4.**



Executive summary (3 of 6)

Headlines/summary of findings

Key Findings continued:

The medium risk findings relate to:

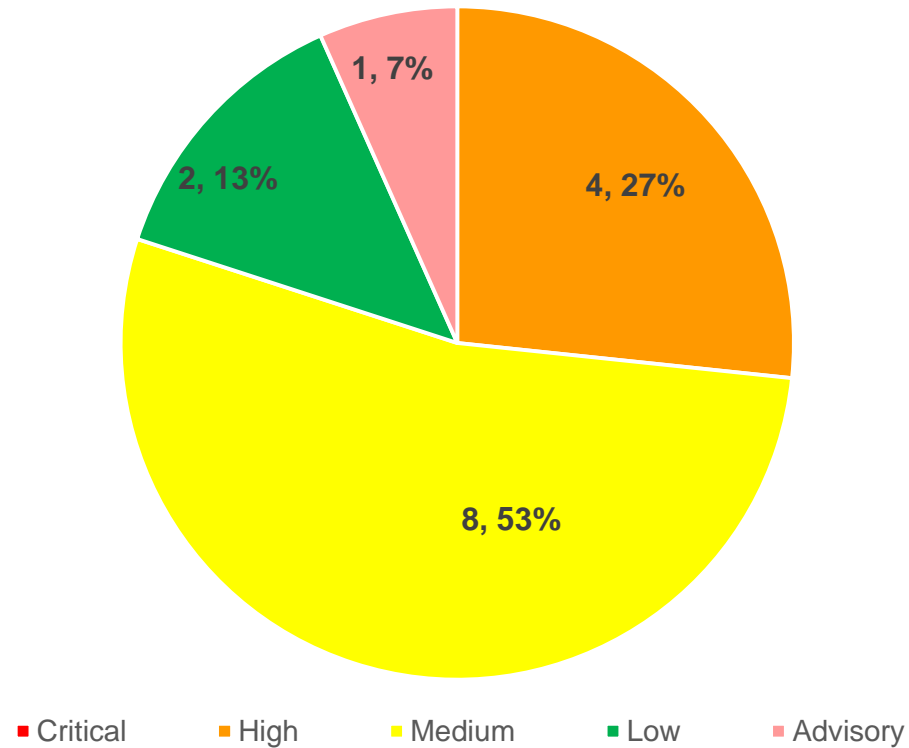
- *Policies, Procedures, Roles and Responsibilities* – Lack of formally documented payroll procedures specifically for the use of staff within the Payroll Team. Roles and responsibilities of staff within the Payroll Team not formally set out. **See Finding #5.**
- *Sickness Payments* – Managers are not promptly updating One Oracle with details of employee sickness absence dates. **See Finding #6.**
- *Amendments to Data and Segregation of Duties* – Officers within the Payroll Team have the ability to amend employee bank details. Whilst an audit trail of any changes made is maintained on One Oracle, no reports are currently generated to show any changes made by the Payroll Team, Pensions Team or Management Information Team. **See Finding #7.**
- *Emergency Payments* - Circumstances for making emergency payments not documented and neither has a review been undertaken of the reasons for which emergency payments are currently being made. **See Finding #8.**
- *HMRC queries* - A number of new starters have had incorrect tax codes assigned to them. The Payroll Team do not maintain a record of the number or type of HMRC queries received from employees. **See Finding #9.**
- *Risk Management* – The Payroll Team do not have a current risk register to identify and effectively manage risks within their service area (most recent is from 2015/16). **See Finding #10.**
- *Authorised Signatory List* –The authorised signatory list does not include all officers with the authority to approve payroll documents. It also includes officers who are no longer employed by the Council. **See Finding #11.**
- *Debts Owed by Employees* – Details of employees for whom instructions have been received by the Payroll Team from Brent Council in relation to e.g. unpaid council tax or overpayment of housing benefit are not being passed onto the Council's Investigations Team to take appropriate action where employees may have failed to comply with the Council's Code of Conduct. **See Finding #12.**

Executive summary (4 of 6)

Page 130	1	Exception Reports	High	9	HMRC queries	Medium
	2	Acting up and Honoraria Payments	High	10	Risk Management	Medium
	3	Overtime	High	11	Authorised Signatory List	Medium
	4	Overpayments	High	12	Debts Owed by Employees	Medium
	5	Policy, Procedures, Roles and Responsibilities	Medium	13	Leavers	Low
	6	Sickness Payments	Medium	14	Gross to Net Ratio Reports	Low
	7	Amendments to Data and Segregation of Duties	Medium	15	Automation of Forms	Advisory
	8	Emergency Payments	Medium			

Executive summary (5 of 6)

Audit findings by risk rating



Executive summary (5 of 6)

Summary of findings by areas of scope:

Area of scope	Number of findings					Finding reference
	Critical	High	Medium	Low	Advisory	
Area 1 – Policy and Procedures			1		1	5, 15
Area 2 – Risk Management			1			10
Area 3 – Starters (No testing undertaken)						
Area 4 – Leavers		1		1		1*, 13
Area 5 – Deductions (Statutory and Voluntary) including HMRC			2	1		9, 12
Area 6 – Variations and Amendments to Pay		1	2			2, 6, 11
Area 7 – Payroll Masterfile/Standing Data			1			7
Area 8 - Overpayments		1				1*, 4
Area 9 – Overtime and Special Payments		1	1			1*, 3, 8
Area 10 – Processing of Payroll and Reconciliations						
Area 11 – Management Information and Performance						
Area 12 – Data Protection						



Background and scope (1 of 2)

Background

The Council's Payroll Team forms part of the Human Resources and Organisational Development Service which sits within the Resources Department. The Director of HR and Organisational Development has overall responsibility for payroll operations. The Payroll team is due to transfer to the Finance Department as part of a restructure of the Resources department.

The system used by the Council to process payroll is One Oracle. The Council began using One Oracle in August 2014.

It should be noted that payroll runs are processed via BACS and undertaken by the Council's Finance Service Centre. In addition to processing payroll for the Council staff, the Payroll Team have (until 2nd October 2017) been responsible for processing the payroll for Brent Housing Partnership (BHP).

SCITM have recently reviewed the payroll processes interface with Oracle financials – this audit review will not duplicate any of that work.

A payroll audit was undertaken during 2015/16 and a draft report issued in July 2016. This audit was not finalised at that time. The issues raised in the 2015/16 audit will be considered as part of this review.

Background and scope (2 of 2)

Scope and limitations of scope

The overall objective of this audit was to provide the Council, members and other officers with an opinion on the adequacy and effectiveness of the key controls in the following areas:

- Policies and Procedures;
- Risk Management;
- Starters – (no testing undertaken as reviewed part of recent ‘continuous audit monitoring’);
- Leavers;
- Deductions (Statutory and Voluntary) including HMRC;
- Variations and Amendments to Pay;
- Payroll Masterfile / Standing Data;
- Overpayments;
- Overtime and Special Payments;
- Processing of Payroll and Reconciliations;
- Management Information and Performance, and
- Data Protection.

Limitations of scope

Our work was limited to the sub-processes and control objectives outlined in the table above.

Our internal audit testing was performed on a judgemental sample basis and focused on key risk areas. Our testing is designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Findings (1 of 15)

Exception Reports Operating Effectiveness

1

Page 135

Finding rating

Rating

High

Finding and root cause

Exception reports (Net Pay Variance reports) are run on a monthly basis both after the “dummy” payroll run and before the “live” payroll run which will detail all variations in payments (i.e. variations of over 15% for Council employees and previously for over 10% for BHP employees) that have been made since the last month. The exception report should be checked by a Payroll Officer to confirm that the exceptions are valid and the report annotated with the reason for the exception and the initials of the officer undertaking the checks.

We reviewed a sample of Net Pay Variance reports for the period from May 2017 to July 2017 for the Council and BHP and noted the following:

- Not all variances in the reports appear to have been checked as required. The reports reviewed indicated the following percentage of checks having been undertaken:

<u>Month</u>	<u>Council</u>	<u>BHP</u>
May 2017	22%	0%
June 2017	76%	70%
July 2017	99.7%	100%

Discussions with the Principal Payroll Officer with regards to these exceptions indicated that she believes all variances are checked but that the Payroll Officer may not always have annotated the report as evidence of this check.

Risk

The failure to undertake the agreed level of checks on the exception reports may result in errors or invalid or incorrect payments being made and not being promptly identified. This could result in inaccuracies in the payroll.

The failure to annotate exception reports to indicate the samples checked may result in management being unable to demonstrate that appropriate checks are being undertaken to identify and investigate the reasons for any anomalies in the payroll and that corrections have been made as required.

Findings (1 of 15 continued)

Exception Reports

Operating Effectiveness

Page 136

1

Finding rating

Rating

High

Recommendations

Management should:

- Satisfy themselves that exception reports are fully checked and annotated with the reason and their initials to confirm that the variance has been checked.
- Ensure that all previous variances have been adequately checked and resolved where necessary.

Management response

Accepted.

Management will do the following:

1. Send out instruction to all Payroll Officers that net pay variance reports are fully checked and annotated with the reason and their initials to confirm that the variance has been checked.
2. A programme of senior management review and quality assurance of the checking of the NPV reports will be conducted over the period December 2017 to March 2018 to confirm the accuracy of processing controls, after which the need for (and frequency of) this additional control will be reviewed in the light of evidence obtained.
3. Check any large variances from sample that were audited where 100% was not achieved and investigate if necessary. (May/Jun/Jul 2017).

Target date: 22 December 2017 (1 and 3); 31 March 2018 (2).

Responsible officer: Principal Payroll Officer (1 and 3); Chief Finance Officer (2).

Findings (2 of 15)

Acting Up and Honoraria Payments

Operating Effectiveness

2

Page 137

Finding rating

Rating

High

Finding and root cause

A total of £97,935 was paid for acting up and honorarium payments from January 2017 to September 2017. Acting up and honorarium payments are made to employees for undertaking additional duties carried out over and above their normal duties and responsibilities. Whilst an acting up/honoraria policy is included in the Pay Policy document, it is not sufficiently comprehensive. A form should be completed and signed off by the relevant manager and submitted to the Payroll Team for processing. The policy on Acting up and honorarium payments is as follows:

- They should not exceed six months. Where there are exceptional circumstances and a business case can be made for such payments to be made to an employee for a period of over six months and up to 12 months, this should be agreed with the HR Director and the relevant Operational Director.
- They should not exceed more than three increments. Again, where there are exceptional circumstances and a business case can be made for such payments to be more than three increments, this should be agreed with the HR Director.

We reviewed a sample of 10 acting up/honoraria payments (one acting up and nine honoraria) made between July 2016 and July 2017 (eight for Council employees and two for BHP employees). Whilst they were all supported by a form signed off by the manager, the following exceptions were noted:

- In 4/10 (40%) of cases, the acting up/honoraria payments were for periods of more than six months. In 3/4 (75%) of these cases the payments were not approved by the HR Director as required. In addition, in 4/4 (100%) cases none of the payments were approved by the relevant Operational Director. In 1/4 (25%) cases the honoraria payment did not have an end date. It is acknowledged that this one employee was a BHP employee and that BHP had a separate policy with regards to honoraria. However given that BHP employees are now Council employees, they are now required to comply with the Council's Pay Policy going forward.
- In 6/10 (60%) cases the acting up/honoraria payments were for more than three increments. In 4/6 (67%) of these cases the increments were not approved by the HR Director as required.

It was also noted that the forms to be completed for acting up and honoraria payments does not included a section for approval by the HR Director and the relevant Operational Director where payments are to be made to employees for a period of over six months and up to 12 months

Whilst the value of honoraria payments and acting up allowances Council Wide are reported to CMT on a quarterly basis, it was noted that it does not include the number of honoraria payments and acting up allowances and neither does it include the breakdown by departments.

Findings (2 of 15 continued)

Acting Up and Honoraria Payments

Operating Effectiveness

2

Page 138

Finding rating

Rating

High

Risk

The failure to obtain authorisation from the HR Director and relevant Operational Director for acting up and honoraria payments made over and above a six month period and the failure to obtain authorisation from the HR Director for acting up and honoraria payments of more than three increments, may result in incorrect or inappropriate payments being made and thus in financial loss to the Council. It may also result in unfair practices and decisions should honoraria payments be made to an employee without a business case having been made.

The failure to monitor and report on the number of honoraria and acting up payments being made may result in management being unaware of the extent of such payments. It may also result in excessive payments being made and this not being identified or appropriate action taken to minimise them or to deal with any staffing / resourcing issues which may need to be addressed.

Recommendations

Management should:

- Remind payroll officers are of the need to ensure that only appropriately authorised honoraria payment forms are processed on One Oracle and that all payments made are in line with the council policy.
- Monitor and report on the number of honoraria payments being made. Monthly reports should be made available to CMT.
- The acting up and honoraria payment form should be amended to include a section for the approval of the HR Director and relevant Operational Director for acting up and honoraria payments made over a six month period. The acting up/honoraria policy should be made more comprehensive.

Findings (2 of 15 continued)

Acting Up and Honoraria Payments

Operating Effectiveness

2

Page 139

Finding rating

Rating

High

Management response

Accepted.

Management will do the following:

1. Remind all Payroll Officers not to process documents which have not been appropriately signed off; in particular those that are more than 3 points increase or longer than a period of 6 months need sign off from HR Director.
2. All existing acting up and honoraria payments to be reviewed to ensure that appropriate authorisations are in place.
3. The cash amount of honoraria payments is already included in the Monthly and Quarterly HR Report and will update to include number of payments as well.
4. Amend and update the acting up and honoraria payment form.

Target date: 22 December 2017 (1); 31 January 2018 (2, 3, 4).

Responsible officer: Principal Payroll Officer (1); Payroll, Pensions, Recruitment and MI Manager (2, 3, 4).

Findings (3 of 15)

Overtime

Control Design and Operating Effectiveness

3

Page 140

Finding rating

Rating

High

Finding and root cause

Our review indicated that there was no documented policy in place with regards to overtime. For overtime to be paid, the line manager is required to complete an overtime claim spreadsheet and electronically submit it to Management Information Team (MIT) for uploading onto One Oracle. The overtime spreadsheets are available on the intranet. Overtime payments due are automatically calculated on One Oracle according to the employee's grade and the number of hours of overtime worked.

We tested a sample of 15 overtime payments made between July 2016 and July 2017 and noted the following:

- Whilst we confirmed that a spreadsheet had been submitted to MIT for processing in 15/15 (100%) of cases, we were however unable to confirm whether the submissions had been made directly by the relevant line manager as this information was not recorded on all spreadsheets.
- The submission of overtime claim spreadsheets is not restricted in that they do not need to be submitted via a manager. Currently a manager or an administrator is able to submit overtime spreadsheets to MIT.
- We verified through discussion that the Management Information Team (MIT) do not undertake checks to ensure that the spreadsheets have been submitted by the relevant line manager or that the number of hours and the overtime rate indicated on the spreadsheet is correct.
- Overtime spreadsheets were not completed in full and did not always include details such as the actual date of the overtime. Claim spreadsheets are not being submitted on a timely basis by managers with some spreadsheets including claims for overtime covering periods of a few months.

Findings (3 of 15 continued)

Overtime

Control Design and Operating Effectiveness

3

Page 141

Finding rating

Rating

High

Risk

The failure to have a policy on overtime may result in inconsistencies in the claiming, processing and management of overtime payments.

The failure to check that the overtime spreadsheets have been submitted by an authorised or approving manager and that the overtime rates indicated are correct may result in unauthorised, incorrect, excessive overtime or underpayments being made to employees.

The failure to complete overtime spreadsheets in full may result in incorrect payments being made or errors occurring and not being promptly detected.

The failure to submit overtime spreadsheets to MIT monthly or promptly may result in budget holders being unable to effectively monitor their budgets and this in turn may result in potential overspends not being promptly identified and actioned.

Recommendations

Management should do the following:

- Develop a policy and procedures on overtime which should include guidance on the standards required for approving, recording and certifying overtime in services. Once developed the policy and procedures should be made available to all staff.
- Require the Management Information Team (MIT) to check overtime spreadsheets to confirm that they have been completed in full, have been submitted by a manager with the authority to approve overtime claims and that the rates indicated on the claims are correct. Where the spreadsheets have not been completed in full or properly, the MIT should not process the claims for payment and should be required to return them to the manager for correction. Alternatively, the overtime spreadsheets should be redesigned and be automatically 'work flowed' to the line manager or Head of Service prior to being submitted to MIT.
- Remind all authorised managers across all services / departments to ensure that overtime spreadsheets are completed in full (including details of the dates worked and the name of the manager) and that they are promptly submitted to MIT for processing.

Findings (3 of 15 continued)

Overtime

Control Design and Operating Effectiveness

3

Page 142

Management response

Accepted.

Management will do the following:

1. Develop a policy on overtime which should include guidance on the standards required for approving, recording and certifying overtime in services. Once developed the policy and procedures will be made available to all staff.
2. With support from Digital Services test and launch e-forms for the submission of overtime and additional payments to enhance efficiency and control.
3. Send reminder to all managers to ensure current overtime spreadsheets are completed in full and submitted in line with the payroll deadlines. Until the proposed e-form is live additional checks on spreadsheets will be introduced to reduce the risk of error.

Target Date: 31 March 2018 (1 and 2); 22 December 2017 (3).

Responsible officer: Chief Finance Officer (1); Payroll, Pensions, Recruitment and MI Manager (2 and 3).

Finding rating

Rating

High

Findings (4 of 15)

Overpayments

Control Design and Operating Effectiveness

4

Page 143

Finding rating

Rating

High

Finding and root cause

Salary overpayment may occur for a number of reasons including (but not limited to): late notification to payroll of leaver/change of contract; excess annual leave taken; employee not returning from maternity leave; payroll error etc. Overpayments are identified either as a result of the review of monthly Net Pay Variance reports; by employees contacting the Payroll Team or by budget holders as part of their review monthly budget monitoring reports. From July 2016 to September 2017, the total value of overpayments made to current employees is £123,775.

The review of payroll overpayments identified the following issues:

- There is no policy in place for the recovery of overpayment from both existing employees and ex-employees;
- Whilst we confirmed that the number of monthly overpayments is reported as part of internal HR KPIs, they are however not reported corporately;
- The total value of overpayments made is not reported in the internal HR KPIs;
- No analysis is currently undertaken of the root cause of overpayments; and
- Details of the payroll error that resulted in an overpayment not always recorded.

The number of overpayments for the last 12 months is detailed below:

Sept 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	June 2017	July 2017	Aug 2017	Sept 2017
0	0	2	0	1	3	1	4	1	9	2	4	5

Following the identification of an overpayment to an existing employee, the employee should be contacted to agree recovery action and the details should be input onto One Oracle so that recovery can commence as agreed. Evidence of all correspondence should be retained.

For a sample of 10 overpayments made to current employees between July 2016 and July 2017 (7 Council and 3 BHP employees), the following was noted:

- In 4/10 (40%) of cases evidence of correspondence with the employee to agree the repayment terms could not be located. We were thus unable to ascertain the reason for the overpayment or the agreement to repay the overpaid amount. In the 6/10 (60%) cases for which we found evidence of correspondence, the overpayments occurred as a result of late notification to payroll in 3/6 (50%) cases and payroll error in the remaining 3/6 (50%) cases .

Findings (4 of 15 continued)

Overpayments

Control Design and Operating Effectiveness

4

Page 144

Finding rating

Rating

High

Finding and root cause

Ex -employees

Where an overpayment relates to an ex-employee, the Payroll Team should calculate the amount due and then pass on details of the debt to the Council's Debt Recovery Team so that an invoice can be raised and follow up action taken. The total amount of outstanding debt relating to ex-employees at the end of August 2017 was approximately £121.5K. We confirmed through discussions with the Debt Recovery Team that although invoices have been sent to these ex-employees that no further follow up action has however been taken to recover these debts as a result of resource constraints. We have been informed that these debts have recently been allocated to an officer within debt recovery team to actively pursue.

Risk

The failure to have in place a policy on the recovery of payroll overpayments may result in inconsistencies in the recovery of such overpayments. It may also result in overpayments not being recovered in a timely manner or in full.

The failure to report on the value of payroll overpayments to senior management may result in management being unaware of the level and cost of overpayments.

The failure to undertake an analysis of the root cause of overpayments may result in trends in the number and nature of overpayments not being identified. This may in turn result in appropriate action not being taken to minimise overpayments and increased time and resources having to be allocated to their recovery.

The failure to retain evidence of agreements reached with current employees for the recovery of payroll overpayments may result in employees failing to honour the agreement leading to difficulty in enforcing such agreements.

The failure to take appropriate follow-up action to recover payroll debts owed by ex-employees and in a timely manner may result in the probability of such debts not being recovered. This may result in unjustified write offs and thus in financial loss to the Council.

The failure to record details of payroll error may result in excessive resources being required to investigate the cause of the overpayment in the event of a query being received.

Findings (4 of 15 continued)

Overpayments

Control Design and Operating Effectiveness

4

Page 145

Finding rating

Rating

High

Recommendations

Management should ensure that:

- A policy on the recovery of payroll overpayments is developed, approved and circulated to officers within the Payroll Team and other employees.
- Data in respect of the number and value of the overpayments is being reported to senior management as part of the monthly performance reporting process.
- The Debt Recovery Team should be required to report monthly to the Payroll Team on the status of outstanding overpayments from ex-employees.
- A meeting is held with the Debt Recovery Team to determine what follow up action can now be taken to recover debts owed by ex-employees and to assess the likelihood of recovery.
- An analysis of the root cause for the overpayments should be undertaken to identify trends in the reasons for overpayments occurring.
- All relevant supporting documentation in relation to payroll transactions are properly retained including overpayment agreements.
- Payroll Officers are reminded of the need to ensure that details of payroll error leading to an overpayment are clearly recorded.

Findings (4 of 15 continued)

Overpayments

Control Design and Operating Effectiveness

4

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Management response

Accepted.

Management will do the following:

1. A policy on the recovery of payroll overpayments is developed, approved and circulated to officers within the Payroll Team and other employees.
2. Data in respect of the number and value of the overpayments will be reported to senior management as part of the monthly performance reporting process together with the root cause.
3. Remind Payroll Officers to retain all paperwork in relation to overpayments and agreements.
4. Follow up discussions with debt recovery teams will ascertain the most effective way to assign responsibility for tracking recovery of overpayments to ex-employees.

Target date: 31 March 2018 (1); 31 January 2018 (2); 22 December 2017 (3); 31 January 2018 (4).

Responsible officer: Chief Finance Officer (1); Principal Payroll Officer (2 and 3); Payroll, Pensions, Recruitment and MI Manager (4)

Finding rating

Rating

High

Findings (5 of 15)

Policies, Procedures, Roles and Responsibilities

Control Design and Operating Effectiveness

5

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Finding rating

Rating

Medium

Finding and root cause

Payroll team procedures

Policies and procedures help ensure that management directives are carried out and that necessary actions are taken to address risks to the achievement of the organisation's objectives. Having detailed, up to date and regularly reviewed procedures helps to ensure that consistent and up to date procedures are being followed by all staff.

Whilst we confirmed the availability of One Oracle procedures for the processing of payroll transactions, our review indicated a lack of local formally documented payroll procedures specifically for the use of staff within the Payroll Team. It is understood that management were in the process of developing these procedures as the audit was being undertaken.

Corporate procedures

It was also noted that the corporate 'Pay Policy and Procedures' document for officers generally is out of date and has not been updated to reflect the migration from the previous payroll system (Interact) to One Oracle.

Roles and Responsibilities

Setting out the roles and responsibilities of staff involved in the Payroll function will help to ensure that staff understand their responsibilities, undertake them effectively and can be held accountable for how they carry them out.

Our review indicated that the roles and responsibilities of staff within the Payroll Team have not been formally set out. Whilst some of these responsibilities are set out in job descriptions, they are not sufficiently detailed as they do not take account of the day to day responsibilities and functions of the Team.

Findings (5 of 15 continued)

Policies, Procedures, Roles and Responsibilities

Control Design and Operating Effectiveness

5

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Risk

A failure to have formally documented payroll procedures in place may result in processes being followed which may be contrary to best practice and may result in inconsistencies in the processing of payroll transactions. There is also a risk to the Payroll's Team's ability to ensure continuity of functions/operations in the event of staff changes and that internal control processes will not be adequately addressed. Processes may also be followed inconsistently.

The failure to regularly review and update policies and procedures may result in staff not fully understanding the processes and controls required when undertaking their responsibilities. It may also lead to errors or gaps in controls.

The failure to set out the roles and responsibilities of payroll staff may result in essential duties not being carried out effectively and in duplication of effort. It may also result in payroll staff not understanding their responsibilities and not being held accountable for how their duties are carried out.

Recommendations

Management should ensure the following:

1. That the documentation of payroll procedures for the use of staff within the Payroll Team is expedited. Once complete, they should be circulated to all relevant staff within the Team and training provided if necessary.
2. All polices and procedures including the Pay Policy and Procedures document should be regularly updated so that they remain relevant and refer to current systems.
3. Set out formally (in writing) the roles and responsibilities of staff within the Payroll Team.

Finding rating

Rating

Medium

Findings (5 of 15 continued)

Policies, Procedures, Roles and Responsibilities

Control Design and Operating Effectiveness

5

Page 149

Finding rating

Rating

Medium

Management response

Accepted.

Management will do the following:

1. Identify key procedures that require additional detail and document these for use by Payroll Officers to use in conjunction with the current One Oracle Procedures.
2. Update the Pay Policy to refer to One Oracle rather than the legacy Interact System, and other changes as necessary.
3. Set out formally (in writing) the roles and responsibilities of staff within the Payroll team.

Target date: 31 March 2018 (1, 2, 3)

Responsible officer: Payroll, Pensions, Recruitment and MI Manager (1, 2, 3).

Findings (6 of 15)

Sickness Payments

Operating Effectiveness

Page 150

6

Finding rating

Rating

Medium

Finding and root cause

When an employee is absent as a result of ill health, the relevant manager is required to update One Oracle with the employee's sickness absence details. The amount of sick pay to which an employee is entitled is dependent on their length of service. The amount of sick pay due should be automatically calculated by One Oracle based on the number of days of sickness absence input on the system and the employee's length of service.

For a sample of five employees who were in receipt of sick pay between September 2016 and September 2017 we carried out tests to confirm whether the payments made to them were correct and in accordance with Council policy. We noted the following:

- In 4/5 (80%) of cases the relevant managers had not promptly updated One Oracle with details of the employees' sickness absence dates (delays ranged from four weeks to nine weeks). Of these four cases, in one case (25%), the relevant manager only updated One Oracle with details of the employee's return to work date as a result of a query raised during the audit.

Risk

The failure by managers to promptly update One Oracle with details of employees' sickness absence dates may result in incorrect payments being made to employees.

Recommendations

All relevant managers across all departments should:

- Be reminded to promptly update One Oracle with details of sickness absence dates for their staff.

Findings (6 of 15 continued)

Sickness Payments

Operating Effectiveness

6

Page 151

Management response

Accepted.

Management will:

- Remind departmental managers to promptly update One Oracle with details of sickness absence dates for their staff. Effective immediately, where payroll are notified of sickness absence more than two weeks after the return to work date (or one month from the first day of sickness, whichever is the sooner), then the Chief Finance Officer and relevant Strategic Director will formally be notified so that corrective action may be taken as required

Target date: 31 January 2018.

Responsible officer: Payroll, Pensions, Recruitment and MI Manager.

Finding rating

Rating

Medium

Findings (7 of 15)

Amendments to Data on One Oracle and Segregation of Duties

Control Design

7

Page 152

Finding rating

Rating

Medium

Finding and root cause

Access to payroll data on One Oracle is restricted to officers based on their roles. We confirmed that only Payroll, Pensions and Management Information Team have access to HR and Payroll Control agent which allows them to make amendments to employee pay, grade, overtime etc.

The self service module on One Oracle allows employees to access the system and make changes to certain elements of their own standing data. Only changes to address details and bank details can be made by employees via the self service module. We confirmed through discussions that officers within the Payroll Team also have the ability to amend employee bank details.

Whilst an audit trail of any changes made is maintained on One Oracle, we verified through discussions that due to functionality issues with One Oracle no reports can currently be generated to show changes that have been made by Payroll, Pensions, Management Information Team or changes that have been made by employees via self-service.

Risk

Where Payroll, Pensions and MIT are able to make changes to employee's bank details, this may result in a lack of segregation of duties leading to invalid and inappropriate changes being made.

The failure to generate and review reports showing changes that have been made to payroll data may result in invalid or inappropriate changes being made that this is not identified in a timely manner.

Recommendations

Management should liaise with Cap Gemini to investigate the reasons why the required reports showing changes made to employee's personal information cannot presently be generated.

Findings (7 of 15 continued)

Amendments to Data on One Oracle and Segregation of Duties

Control Design

7

Management response

Accepted.

Management will investigate with Digital Services/Cap Gemini the possibility of creating an audit trail/exception report on bank account changes and to review cost and relevance before proceeding once established if possible or not.

Target date: 31 March 2018

Responsible officer: Payroll, Pensions, Recruitment and MI Manager.

Finding rating

Rating

Medium

Findings (8 of 15)

Emergency Payments

Control Design

8

Page 154

Finding rating

Rating

Medium

Finding and root cause

Emergency payments are made outside of the payroll as they need to be made quickly and before the next payroll run. Examples of circumstances under which such payments may be made include: payment of termination agreement; payments as a result of payroll errors; leavers payments, and incorrect starter payments. Discussions with the Payroll Team indicated that the circumstances for making emergency payments is not documented and neither has a review been undertaken of the reasons for which emergency payments are currently being made.

For a sample of 20 emergency payments made between January to July 2017 the following was noted:

- In 6/20 (30%) cases the reason for making these payments was due to late or no notification to Payroll. In these instances the manager should have been notified by email of the irregularity.

Risk

The failure to document the circumstances for making emergency payments may result in emergency payments being made for invalid reasons leading to financial loss to the Council as there is an additional cost to making emergency payments.

The failure to undertake a review of the circumstances in which emergency payments are being made may result in emergency payments being made in inappropriate circumstances and that this may not be identified and action not taken to minimise emergency payments.

Recommendations

Management should undertake a review of the reasons for which emergency payments are being made. The circumstances in which emergency payments will be made should be documented, made available to all relevant officers and adhered to.

Staff (including managers) should be reminded of the need to ensure that notifications are sent to the payroll team on a timely basis and within the deadline stated in the payroll timetable for it to be processed in that month's payroll run.

Findings (8 of 15 continued)

Emergency Payments

Control Design

8

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Management response

Accepted.

Management will :

1. Undertake a review of the reasons for which emergency payments are being made, and then to act on the findings as appropriate.
2. Remind departmental managers to submit all notifications in line with payroll deadlines. This will include Starters, leavers, overtime and additional payments.

Target date: 31 January 2018.

Responsible officer: Payroll, Pensions, Recruitment and MI Manager.

Finding rating

Rating

Medium

Findings (9 of 15)

HMRC queries

Control Design

Page 156

9

Finding rating

Rating

Medium

Finding and root cause

When a new starter joins the Council, the tax code should come from form P45 given to them by their former employer. Where the new starter does not have a P45, then the Council should use a Starter Checklist to work out what tax code to use. It has been brought to our attention that a number of new starters have had incorrect tax codes assigned to them. It is understood that the Payroll Team do not maintain a record of the number or type of HMRC queries received from employees.

Risk

The failure to maintain a record of the number and type of HMRC queries received from employees may result in queries of a similar nature continuing to be received and action not taken to reduce or prevent them in future.

Recommendations

Management should maintain a record of the number and type of HMRC related queried received from employees. These will be reviewed on a regular basis to establish the root cause of the queries and take appropriate action to minimise them.

Low priority

Management response

Accepted.

The feasibility and practicality of this will be assessed, bearing in mind that HMRC's principal relationship regarding tax codes is with employees themselves.

Target date: 31 March 2018.

Responsible officer: Payroll, Pensions, Recruitment and MI Manager.

Findings (10 of 15)

Risk Management

Control Design

10

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Finding rating

Rating

Medium

Finding and root cause

The Council has a statutory responsibility to have effective arrangements in place for the management of risk. Managers are responsible for managing risks within their own service areas and Directors are responsible for reviewing, on a regular basis, their key risks across their department and within any partnership working and for putting in place arrangements to manage that risk. The Payroll Team do not have a current risk register to identify and effectively manage risks within their service area (most recent is from 2015/16).

Risk

The failure to have in place an up-to-date risk may result in risks not being adequately controlled leading to these risks being realised together with their consequential impact.

Recommendations

Management should:

- Review the current risk register and update as necessary.

Management response

Accepted.

Management will review the current risk register (dated July 2015) and update as necessary.

Target date: 28 February 2018.

Responsible officer: Payroll, Pensions, Recruitment and MI Manager.

Findings (11 of 15)

Authorised Signatory Listing

Operating Effectiveness

11

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Finding rating

Rating

Medium

Finding and root cause

Whilst it was noted that the Payroll Team maintains a lists of officers with the authority to approve payroll documents and that it had been updated in July 2017, our review indicated that the list did not include all officers authorised to approve payroll documents and that it also included officers who have left the Council.

Risk

The failure to have an up-to-date list if authorised signatories in place may result in payroll transactions being approved by officers without the appropriate authority.

Recommendations

Management should ensure that the authorised signatory listing is updated to include all officers with the authority to approve payroll transactions and that officers who have left the Council are removed. Management should consider accepting e-mail authorisation and retaining appropriate evidence.

Alternatively all payroll documents should be work flowed to the relevant line manager and/or Head of Service prior to being submitted to the Payroll Team.

Management response

Accepted.

Management will review the current the signatory list to ensure it includes all officers authorised to approve payroll documents and to remove officers who have left the Council.

Target date: 31 January 2018.

Responsible officer: Principal Payroll Officer.

Findings (12 of 15)

Debts Owed by Employees

Control Design and Operating Effectiveness

12

Page 159

Finding rating

Rating

Medium

Finding and root cause

We established that debts are owed by employees to Brent Council for reasons such as unpaid council tax or overpayment of housing benefit. In these cases, the relevant body instructs the Payroll Team to make deductions from the employee's pay. The Council's Code of Conduct for employees states that employees should work with integrity and "*never, without good cause wilfully withhold any payments you owe to the council such as rent or council tax, or salary/wages overpayment*".

Details of employees for whom instructions have been received by the Payroll Team from Brent Council in relation to e.g. unpaid council tax or overpayment of housing benefit are not being passed onto the Council's Investigations Team to take appropriate action where employees may have failed to comply with the Council's Code of Conduct.

Risk

The failure to refer details of employees with outstanding debts to the Council's Audit and Investigations Team may result in appropriate action not being taken where employees fail to comply with the Council's Code of Conduct.

Recommendations

Management should ensure that details of employees with outstanding debts to Brent Council are passed onto the Council's Audit and Investigations Team.

Management response

Accepted.

The principle of the recommendation is accepted and a policy will be developed to cover follow up action.

Target date: 31 March 2018.

Responsible officer: Chief Finance Officer.

Findings (13 of 15)

Leavers

Operating Effectiveness

13

Page 160

Finding rating

Rating

Low

Finding and root cause

All managers are required to complete an electronic leavers form (available on the intranet) when an officer's employment with the Council ceases. All leavers forms should be submitted to the Payroll Team as soon as notice is given that an employee is leaving the Council. Where there are any adjustments to be made to the employee's final pay, (for example outstanding annual leave) then this should be indicated on the leavers form. Following receipt of the leavers form, a Payroll Officer should upload the details onto One Oracle where the system should automatically calculate the final pay amount for the employee. The Payroll Officer is also required to set on One Oracle a final process date which should be no more than three months after the employee's termination date. Although leavers should not be paid a salary after their leave date, there are circumstances in which some monies may have to be paid to, or recovered from, leavers after they have ceased their employment (e.g. if an employee has been under- or overpaid in respect of their final salary calculation). No further payments can be made to the leaver after the set Final Process date. It is understood that the Payroll Officer is required to make a judgement on the length of the final process date to be set on One Oracle based on the circumstances of the leaver, for example, redundancy payments, adjustments to be made. Once the leaver has been processed on One Oracle, HMRC are required to be promptly notified of the leaver via Real Time Information (RTI).

For a sample of 20 leavers who left the employment of the Council (15 for the Council and five for BHP as was) between July 2016 and July 2017 the following exceptions were noted:

- Whilst leavers forms were found for all of the sample, in 3/20 (15%) of cases the forms were submitted to the Payroll Team after the employee's termination date. For two of these exceptions, it is acknowledged that the terminations were as a result of employees being dismissed and therefore it would have been difficult for leavers forms to be submitted prior to the employee's termination date.
- Whilst we confirmed that in a 20/20 (100%) cases that no payments were made to any of the former employees after the Final Process date, it is in our view that three months is excessive for One Oracle to be left open for payments to be made to a leaver.
- Whilst HMRC was promptly notified of the leaver for all the sample, in 1/20 (5%) of case, the leaving date on the RTI data submitted to HMRC was incorrect to that recorded on One Oracle. The MIT were unable to explain the anomaly.

Findings (13 of 15 continued)

Leavers

Operating Effectiveness

13

Page 161

Finding rating

Rating

Low

Risk

The failure to promptly submit leavers' forms to the Payroll Team may result in payments continuing to be made to employees who have left the organisation resulting in debts which may be difficult to recover and thus in possible financial loss to the Council.

A failure to reduce the Final Process date from three months may result in invalid or inappropriate payments being made to employees leading to overpayment which may be difficult to recover.

Where notification of a leaver to HMRC contains an incorrect leaving date, this may result in incorrect tax and NI deductions for the ex-employee.

Recommendations

Management should:

1. Remind departmental managers to submit leavers' forms promptly to the Payroll Team (ideally as soon as the employee hands in their letter of resignation where relevant).
2. Review the current arrangements in respect of the Final Process date to determine whether it is appropriate for this to be determined by individual officers and whether a maximum period of 3 months following the employee's leaving date is really necessary.
3. Request that the Management Information Team investigate the reasons for the anomaly identified with regards to incorrect leaving date on the RTI submitted to HMRC and submit an adjustment to HMRC as appropriate.

Findings (13 of 15 continued)

Leavers

Operating Effectiveness

13

Page 162

Finding rating

Rating

Low

Management response

1 and 3 - Accepted.

2 - Not accepted.

Management will do the following:

1. Remind departmental managers to submit leavers' forms promptly to the Payroll Team (ideally as soon as the employee hands in their letter of resignation where relevant). In addition, effective immediately, each case of an overpayment caused by late notification to payroll of an employee leaving will be reported directly to the Chief Finance Officer and the relevant Strategic Director, so that corrective action may be taken as required.
2. The three month final process date is considered appropriate to allow for such amendments as may arise from time to time, and as no exceptions were identified in the audit sample no changes to this are proposed at the current time.
3. The MI team will investigate the reasons for the anomaly with regards to the incorrect leaving date on the RTI.

Target date: 31 January 2018.

Responsible officer: Payroll, Pensions, Recruitment and MI Manager (1 and 3).

Findings (14 of 15)

Gross to Net Ratio Reports

Operating Effectiveness

14

Page 163

Finding rating

Rating

Low

Finding and root cause

The Payroll Team run a Gross to Net Ratio Report on a monthly basis which shows the total deductions which have been processed for that month. These reports are reviewed by a payroll officer and individual line item checked is annotated with a tick. We reviewed a sample of reports for a three month period (May to July 2017) and confirmed that whilst the report had been run for both the Council and BHP, not all items had been ticked to confirm that they had been checked and neither were the reports signed off as evidence of the reports having been reviewed.

Risk

The failure to evidence that all items had been checked on the Gross to Net Ratio Reports and failure to have them signed off may result in the Payroll Team being unable to demonstrate that the reports have been reviewed and that appropriate checks have been undertaken to ensure that deductions are correct.

Recommendations

Management will ensure that Payroll Officers are required to evidence that all items have been checked on the Gross to Net Ratio Reports and that the reports are signed off as evidence of the review.

Management response

Accepted.

Payroll officers will be reminded of the need to evidence checks.

Target date: 31 January 2018.

Responsible officer: Principal Payroll Officer.

Findings (15 of 15)

Automation of Forms

Control Design and Operating Effectiveness

15

Page 164

Finding rating

Rating

Advisory

Finding and root cause

Our review indicated that manual forms are being used for some requests sent to the Payroll Team, for example, overtime claim forms, acting up/honoraria payments, application for season ticket loans. These requests are required to be approved by the relevant line manager and/or HR Director prior to being sent to the Payroll Team for processing. Management should give consideration to automating the process on One Oracle.

Risk

N/A – advisory

Recommendations

N/A - advisory

Prior year open findings

Retention of Documentation and Audit Trails

Page 165

1

Original Recommendation

Management should ensure that all relevant supporting documentation in relation to payroll transactions are properly retained. It is suggested that in future the relevant documentation be retained for audit purposes prior to being passed on for scanning. Documentary evidence could not be located as follows:

- Copies of starter forms;
- Copies of leavers forms;
- Supporting documentation in relation to voluntary deductions;
- Supporting documentation in relation to variations and amendments to pay;
- Supporting documentation in relation to overtime payments.

Status update

Partly Implemented

Action plan

See Finding 4.



Prior year open findings

Procedures

Page 166

2

Original Recommendation

Management should develop formally documented procedures for the use of staff within the Payroll Team. Once implemented, they should be circulated to all relevant staff within the Team.

Status update

Partly Implemented.

Action plan

See Finding 5.

Prior year open findings

Update One Oracle of Sickness Absence Dates

Page 167

3

Original Recommendation

Management should ensure that all Council and BHP Managers are reminded of the need to ensure that One Oracle is promptly updated with sickness absence dates for their staff.

Status update

Partly Implemented.

Action plan

See Finding 6.



Prior year open findings

Reconciliation of BACS tape to BACS run

Page 168

4

Original Recommendation

Management should ensure that the Payroll Team documents the reconciliation of the BACS tape to the BACS run report.

Status update

Not tested as part of the audit.

Action plan

N/A



Prior year open findings

Gross to Net Ratio Reports

Page 169

5

Original Recommendation

Management should ensure that Payroll Officers are required to sign off the Gross to Net Ratio Reports as evidence of the reports having been reviewed.

Status update

Not Implemented.

Action plan

See Finding 14.

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

Medium

A finding that could have a:

- **Moderate** impact on operational; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

Appendix A: Basis of our classifications

Individual finding ratings

Low

A finding that could have a:

- **Minor** impact on the organisation's operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.



Appendix B: Assurance Ratings

<i>Definition of Assurance Rating</i>	<i>Level</i>	<i>Definition</i>
	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.
	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.

Appendix B: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:

- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.


Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

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 Brent	Audit Advisory Committee 10 January 2018
	Report from the Chief Finance Officer
Pensions Administration Audit Report	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One: <ul style="list-style-type: none"> • Internal Audit Report 2017/2018 – Pension Fund Administration
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Michael Bradley Head of Audit & Investigations Email: michael.bradley@brent.gov.uk Tel: 020 8937 6526

1.0 Purpose of the Report

1.1 The attached report includes findings and actions agreed by management following a recent audit of the Council’s Pensions Administration arrangements.

2.0 Recommendation

2.1 That the Audit Advisory Committee notes the main issues highlighted in the report following a “limited assurance” audit opinion and the actions to be taken by management to address them.

3.0 Detail

3.1 A final report following the audit of Pensions Administration was issued in November 2017.

3.2 The service have been asked to ensure that an appropriate officer is in attendance at the Audit Advisory Committee meeting to respond to any questions the Committee may have.

4.0 Financial Implications

4.1 None. There are no specific financial implications associated with noting this report.

5.0 Legal Implications

5.1 None.

6.0 Equality Implications

6.1 None.

7.0 Consultation with Ward Members and Stakeholders

7.1 None.

8.0 Human Resources/Property Implications (if appropriate)

8.1 None.

Report sign off:

CONRAD HALL
Chief Finance Officer

Internal Audit Report 2017/2018

Pension Fund Administration

London Borough of
Brent

FINAL

November 2017

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Click to launch



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- B. Limitations and responsibilities

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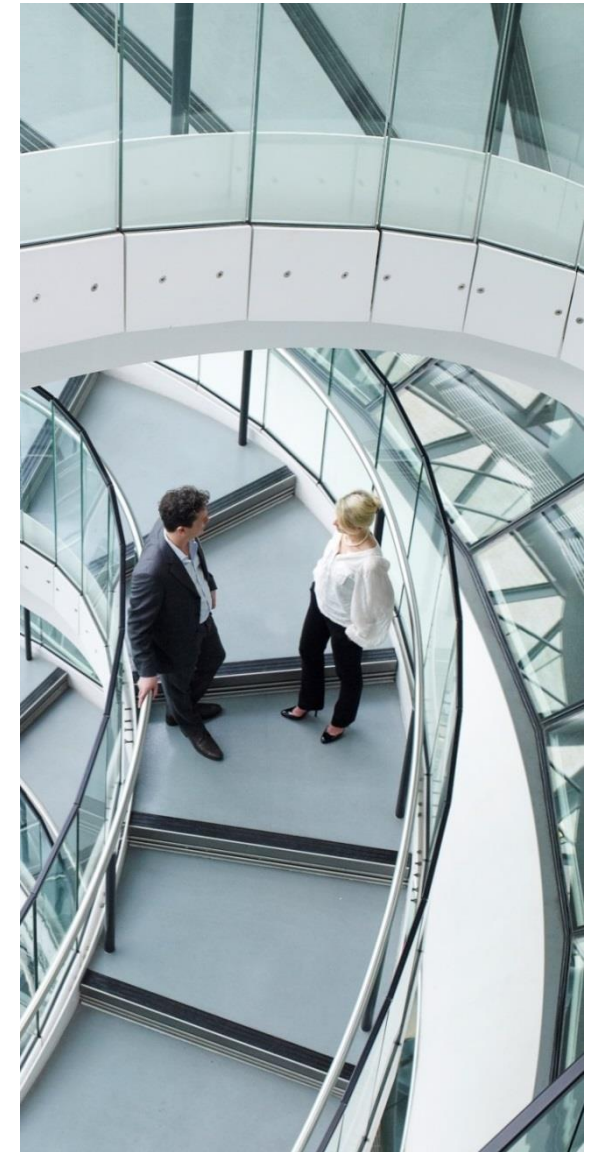
For action:

Senior Pension Officer
Payroll Pensions Recruitment & MI Manager
Payroll Manager
Account to Reporting Team, Resources

For information:

HR Director
Strategic Director Resources
Head of Finance, Resources Department
Chief Finance Officer
Head of Employee Services
Head of Finance, Resources Department

Head of Internal Audit
Audit Manager



Executive summary (1 of 4)

Report classification



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Total number of findings

	Critical	High	Medium	Low	Advisory
Control design	-	2*	1*	-	-
Operating effectiveness	-	2	-	1	-
Total	-	4	1	1	-

**Note two controls are both Control Design and Operating Effectiveness. They have been included in Control Design for the purposes of the table to avoid duplication.*

Key:

- Control Design Issue (D) – There is no control in place or the design of the control in place is not sufficient to mitigate the potential risks in this area.
- Operating Effectiveness Issue (OE) – Control design is adequate, however the control is not operating as intended resulting in potential risks arising in this area.

Executive summary (2 of 4)

Headlines

The objective of this review was to identify and test the design and operating effectiveness of key controls in relation to the administration of the pension fund, including starters, retirements, annual data collection and reconciliations.

We found that there are examples of where good practice has been implemented, for example the automated new joiners process ensures that the correct contribution rate is used based on the salary details entered into the payroll system; there is a process to identify deceased individuals and halt their payments in a timely manner; and the pensions officer meets with Capita regularly to ensure that there is communication between the two parties.

Although examples of good practice have been noted, a number of areas for further improvement have been identified. We noted 4 high, 1 medium and 1 low risk finding as part of this review. The key areas of improvement relate to payment of benefits, data submissions from third party providers, and management of the contract with Capita. Our other findings relate to areas where procedures could be improved to make the control environment more efficient and effective.

Summary of findings

Our high risk findings are:

- Retiree payments (Finding 1):
 - For 9/20 (45%) retirees we were unable to agree the final pay salary figure used by Capita in their calculation back to final salary information from Oracle to ensure the correct figures are used in the calculation of pension benefits. In one of these cases, Capita confirmed that they had underpaid the member as the benefits were not recalculated to take into account 6 days of pay in January 2017.
- Pension changing to standing data (Finding 2):
 - Pensioners payroll is mainly dealt with by one person in the payroll team and they are responsible for changing bank details -albeit other members of the payroll team could process the change as well if required. There is a lack of segregation of duties in the process. It is worth noting, however, that there is an audit trail that states who made the change. There is no routine monitoring or review of this audit trail to check changes have been made by appropriate staff
- Data submissions (Finding 3):
 - The Council collects end of year pensions data from third party employers and payroll providers to enable them to issue the annual benefits statements. In 16/20 (80%) cases sampled, no evidence could be provided of the end of year data being collected by the third party nor of the subsequent checks performed by Capita on the data. At the time of the audit the benefit statements had not been produced to cover employees with these third parties and so there is a risk that the regulatory deadline will be breached. For 3/4 (75%) third parties where evidence could be provided, Capita sent the email following up on exceptions or issues they had identified more than 14 working days after they had received the end of year data from the employer.

Executive summary (3 of 4)

- We also noted that although there is a control sheet noting whether Capita have received the initial submission from the third party, it does not include further details of the status of each; i.e. checks in progress, queries back out with the third party, or any issues noted and ready for upload.
- Contract Management (Finding 4):
 - Although there are monthly contract meetings where performance is an item on the agenda, there is a lack of any record to demonstrate how Capita are being challenged and held to account for any areas of underperformance. For example, areas of underperformance identified in the two months sampled included: timely notification of deceased individuals and timely submission of transfer values to a new pension scheme - there is no record that that these were challenged at the relevant meetings.
 - Capita provide the Council with a monthly performance report that reports on the 68 performance indicators outlined in the contract. 1/20 (5%) indicators sampled from the contract between the Council and Capita were not included in the monthly performance report. This indicator related to the 'Monthly Performance and Statistics Report' which is to be completed by Capita 'within 5 working days of the end of the contract month in question'. For the two months we sampled this indicator would have failed.
 - We noted that validation of the performance data submitted by Capita is currently not undertaken by the Council.

Our *medium risk* finding is:

- Reconciliations (Finding 3):
 - The Council currently do not reconcile between Hartlink (the pensions system) and Oracle (the Council's payroll system) during the year. Instead a reconciliation of active members only is performed as part of the end of year process.
 - 2/2 (100%) reconciliations between the pensions bank account and the general ledger included £280k of reconciling items that were over three months old.

Executive summary (4 of 4)

- 1 **Retiree payments**
- 2 **Changes to standing data**
- 3 **Data submissions**
- 4 **Contract Management**
- 5 **Reconciliations**
- 6 **Timeliness**

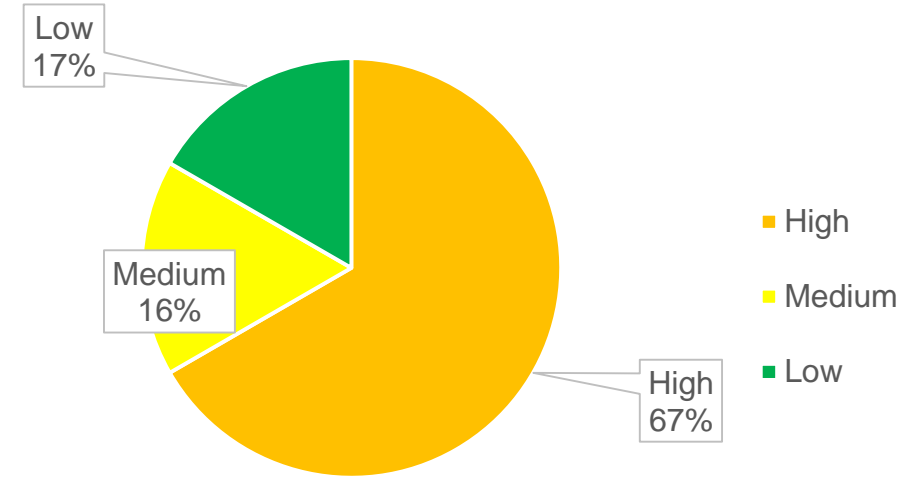
- High
- High
- High
- High
- Medium
- Low

Rating definitions – see appendix A

Summary of findings by areas of scope:

Area of scope	Number of findings					Finding reference
	Critical	High	Medium	Low	Advisory	
New Joiners	-	-	-	-	-	-
Payment of benefits	-	2	-	1	-	1, 2, 6
Data collection	-	1	-	-	-	3
Reconciliations	-	-	1	-	-	5
Contract Management	-	1	-	-	-	4

Audit findings by risk rating



Background and scope (1 of 2)

Background

The Council is responsible for the administration of a defined benefit pension fund under the Local Government Pension Scheme (LGPS) Regulations 1998 (as amended in 2007). As fund administrators, the Council is responsible for:

1. The collection of contributions; both directly from the Council and its employees.
2. The investment of funds in accordance with LGPS regulations,
3. The payment of monies to retired scheme members, and
4. Administering the fund for other employers.

The Council outsources the key administrative day to day processes to Capita (a business process outsourcing company), including the processes for starters, leavers, transfers and retirements. The contract with Capita is due to expire at the end of September 2017.

Employers of scheme members who are not employed by the Council are required to submit data about these employees annually. Capita is also responsible for collection of the annual data submission from the employers, reviewing the submission and processing any required changes. The output of the data collection feeds into the annual benefits statement. The deadline for the annual data submissions was May 2017.

The objective of this review was to identify and test the design and operating effectiveness of key controls associated with the following control objectives:

- Contributions made to the fund by employers and employees are accurate, timely and complete for all new joiners.
- Accurate and timely pension payments are made to retired scheme members.
- Data recorded on the pensions system (Hartlink) is accurate.
- The financial information held by the Council is up-to-date and accurate.
- The council's objectives in pensions administration are delivered efficiently, effectively and economically by the contractor and in line with contract.

Background and scope (2 of 2)

Limitations of scope

Our work was limited to the sub-processes and control objectives outlined in Terms of Reference. Our internal audit testing was performed on a judgemental sample basis and focussed on key controls mitigating risks. Our testing is designed to assess the adequacy and effectiveness of key controls in operation at the time of the audit.

Please note that in relation to the scope per the Terms of Reference, whilst our internal audit assessed the efficiency and effectiveness of key controls from an operational perspective, it is not within our remit as internal auditors to assess the efficiency and effectiveness of policy decisions.

As detailed in the Terms of Reference, this review does not provide assurance over the completeness or accuracy of the pension fund balance as at the date of audit work. The review did not consider either the management of the pensions fund or the investment of surplus funds and the appropriateness of such decisions.

For the “data collection” sub-process we assessed control design and operating effectiveness of the processes to ensure that the data submission is captured, reviewed and actions are logged.

This audit did not include a review of the contract with Capita. For the “contract management” sub-process we considered performance monitoring controls only. The audit did not include a review of the overall contract management governance, contract ownership, payment mechanism and formal review of risk management.

Current year findings (1 of 6)

Retiree payments

Operating effectiveness

Page 185

1

Finding rating

Rating

High

Finding and root cause

Capita are responsible for calculating the pension payments. It is therefore important that they use the correct final salary information in the calculation of pension benefits to retirees to ensure the correct amounts are paid. Capita take the final salary information directly from Oracle for those on the Council's payroll service. For retirees with a third party payroll service, Capita obtain the final salary figure from the relevant payroll service. The pensions calculation is prepared and reviewed by two separate senior pension administrators. We found:

- For 9/20 (45%) retirees we were unable to agree the final pay salary figure used by Capita back to final salary information from Oracle to ensure the correct figures are used in the calculation of pension benefits. In one of these cases, Capita confirmed that they had underpaid the member as the benefits were not recalculated to take into account six days of pay in January 2017. As a result of the audit, benefits were being uplifted. For the other eight cases the appropriate information was not provided.

Risk

Incorrect final salary information may mean calculation of pension benefits to retirees is inaccurate leading to over- or underpayment.

Recommendations

- We will request Capita investigate the exceptions to understand whether incorrect final salary information is being used by Capita.*
- Subsequent action should be determined by management based on the level of inaccuracies identified in the calculations investigated.*

Current year findings (1 of 6)

Retiree payments

Operating effectiveness

Page 186

1

Finding rating

Rating

High

Management responses

Accepted, management will instruct Capita to investigate the remaining eight cases for which the accuracy of the final salary data used was unable to be confirmed as part of the audit.

Based on the level of issues noted, management will review the current control processes and consider the need to implement further additional checks and controls to mitigate the risk of incorrect final salary information being used.

Responsible person/title:

- a) Senior Pensions Officer
- b) Payroll Pensions Recruitment & MI Manager

Target date:

- a) 31 October 2017
- b) 30 November 2017

Reference number:

1718PFA-1

Current year findings (2 of 6)

Pension changing to standing data

Control Design

Page 187

2

Finding rating

Rating

High

Finding and root cause

All requests for changes to pension bank details must be received in writing via a signed letter. When correspondence is received from a pensioner it is allocated to, and actioned by, a payroll officer. We note:

- Pensioners payroll is mainly dealt with by one person in the payroll team and they are responsible for changing their bank details, albeit other members of the payroll team could as well. There is a lack of segregation of duties in the process. It is worth noting, however, that there is an audit trail that states who made the change. There is no routine monitoring or review of this audit trail to check changes have been made by appropriate staff.

Management explained that they believe the control to be sufficient because it would soon become apparent if a pensioner does not receive their payment. However, this would not be the case if the pensioner was deceased.

Risk

Pension bank details could be amended fraudulently resulting in a financial loss to the Council.

Recommendations

- Changes to bank account details will need to be processed by one staff member and reviewed by another to ensure segregation of duties.*
- On a weekly basis, management will review all changes to pension bank accounts that have occurred in the week so they can monitor changes and ensure they are appropriate. The list of changes to bank accounts will be compared to the list of deceased individuals in the period to ensure that bank accounts of deceased have not been fraudulently changed.*

Current year findings (2 of 6)

Pension changing to standing data

Control Design

Page 188

2

Finding rating

Rating

High

Management responses

- a) *Accepted.*
- b) *Not accepted, management feel that with the implementation of the segregation of duties within recommendation (a) in addition to the existing mortality screening and the 'tell us once' information from the DWP that is due to be introduced, the risk is sufficiently mitigated and therefore there is no need to utilise additional resource to undertake a periodic review of the changes applied.*

Responsible person/title:

Payroll Manager

Target date:

1 November 2017

Reference number:

1718PFA-2

Current year findings (3 of 6)

Data submissions

Operating effectiveness

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3

Finding rating

Rating

High

Finding and root cause

The Council is responsible for producing annual benefits statements to all active members (employed by the Council or third parties) and to those with deferred benefits for whom Capita have an address. Active members could have third party employers or third party payroll providers. It is important that there are controls in place to ensure that accurate and complete end of year data is collected from third parties in a timely manner to ensure that the Capita is able to issue the annual benefits statements prior to the statutory deadline.

Capita sent out a request to third parties for their pension data in March and this included a submission template, guidance and deadlines. Once returns are received Capita match the returned information against the records they hold on their system. They also perform a check to confirm if the full time equivalent salary is more than minimum wage for the hours worked.

To ensure this is performed promptly, there is a performance indicator within the contract (indicator reference 13.7.4) that states that employee and employer pension contributions are to be reconciled to the main accounts of the Contracting Bodies within 14 working days from receipt of the third parties end of year file. For a sample of 20 third parties we carried out checks to confirm whether Capita had received the data and that they had followed up the issues identified from the checks with the third party within 14 working days. We found:

- In 16/20 (80%) cases, no evidence could be provided of the data being submitted by the third party and of the subsequent checks and follow up performed by Capita on the data.
- For 3/4 (75%) third parties where evidence could be provided, Capita sent the email following up on exceptions or issues they had identified more than 14 working days after they had received the end of year data from the employer. The follow up emails were sent 39, 40 and 45 working days after the submission was received.
- We noted that a tracker is not maintained to monitor the status of each submission. Although there is a control sheet that noted whether the data has been received, it would also be useful for this control sheet to include the status of each request; i.e. whether there were queries back out with the third party, that the checks had been performed and no issues were noted, or that Capita were in the process of performing the checks.

Current year findings (3 of 6)

Data submissions

Operating effectiveness

Page 190

3

Risk

Incomplete or inaccurate data submitted by the third parties is not escalated to the Council in a timely manner resulting in the Council's inability to file the annual benefits statement prior to the statutory deadline.

Recommendations

- a) We will ask Capita to investigate the exceptions noted in this report and going forward will ensure an audit trail of each of the third parties submissions is retained.
- b) We will ask Capita to use a more detailed monitoring tracker that not only shows the status of each submission but also the status of the request with each employer and key dates to enable timeliness of data checks to be monitored.

Finding rating

Rating

High

Management responses

Accepted. Recommendation (b) has already been requested of Capita and was initially promised to be delivered by 6 October 2017, this has subsequently been chased on 19 October 2017 and as at the date of reporting remains an outstanding request.

Responsible person/title:

Senior Pensions Officer

Target date:

- a) 31 October 2017
- b) Complete

Reference number:

1718PFA-3

Current year findings (4 of 6)

Contract Management Control Design and Operating effectiveness

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4

Finding rating

Rating

High

Finding and root cause

The Council receives a monthly performance report, which is used to monitor Capita's performance. The report outlines performance against each of the key indicators in the contract. For a sample of 20 performance indicators from the contract we checked if they had been included in the sample of 2 monthly performance reports. We found:

- 1/20 (5%) contract performance indicators were not included in the monthly performance reports of both months tested. This indicator related to the 'Monthly Performance and Statistics Report' which is to be completed by Capita 'within 5 working days of the end of the contract month in question'.
- Validation of the reported results is currently not undertaken by the Council. A system report is provided by Capita along with the indicators so it is possible to recalculate the indicator based on the source data. Management explained that this was stopped because of the time constraints and because if there were performance issues these would be brought to their attention via complaints.
- We performed detailed testing to assess timeliness of processing of retirees and new joiners and compared our sample findings (see finding #6) to the performance statistics for work in progress from the monthly performance reports. We noted that the reported statistics do not correlate to our findings. This could be contributed to sampling risk or could be highlighting potential issues around the performance data integrity. Management stated that there may also be cases where the reported timescales can differ based on technical definition of the KPI, for example when a case gets closed and re-opened if it is transferred to a different team.

The performance report is discussed in monthly contract monitoring meetings attended by Capita and the Council. An action log is used to document the key points and agreed actions from each meeting. We reviewed the report and the meeting action log for a sample of two months. We found:

- For 2/2 monthly meetings it was not clear whether underperformance was discussed in detail with Capita and whether they are being held to account for underperformance. A number of indicators in the performance reports (8 in April; 6 in May) were below the 90% threshold defined as underperformance and it is not clear whether these were discussed.

Management explained that this was because the performance reports in both April and May were delivered a day before the scheduled contract meeting. As a result of this, it was not possible for the Council to review the report in depth before the meeting. The delay in sending this performance report represents a failure of the performance indicator described above ('Monthly Performance and Statistics Report'), which was not included in the report. Management explained that the delay was due to a change in staff at Capita, but this issue has now been rectified. The report in June was provided with more time to review prior to the meeting.

Current year findings (4 of 6)

Contract Management

Control Design and Operating effectiveness

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4

Finding rating

Rating

High

Finding and root cause

In addition, the key points and actions that had been recorded were very similar for the two meetings, suggesting that the minutes were not updated or actions were not tracked in an effective manner.

- For 2/2 meetings only the Senior Pension Administrator attended on behalf of the Council and Head of Employee Services was not in attendance. Although it is not essential for senior management to attend, lack of senior management involvement would make it more difficult to escalate and resolve issues.

Risk

The contractor may not be challenged over poor performance leading to error, fraud and poor value for money for the Council.

Recommendations

1. We will escalate to Capita the indicator omitted from the performance report (Monthly Performance Report to be completed by Capita within 5 working days of the end of the contract month') and emphasise the importance of meeting this KPI to ensure the Council has time to review the report before the contract meeting.
2. We will check the completeness of the performance reports monthly to ensure indicators are not omitted from reporting.
3. We will implement a spot checking procedure to check the result reported agrees to the underlying performance data for a defined sample of indicators each month.
4. We will record specific key points and actions concerning underperformance discussed in the contract monitoring meetings, so it is clear where Capita are underperforming and what actions they are taking to address this. Progress against these actions can then be followed up at the subsequent meetings.
5. We will define a validation activity plan to ensure that assurance is obtained across all performance areas over time. We will perform a risk mapping exercise to ensure that validation plans are focussed on key risks and all sources/methods of assurance are identified and utilised. This will ensure that independent assurance is targeted at key risk areas.

Current year findings (4 of 6)

Contract Management

Control Design and Operating effectiveness

4

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Finding rating

Rating

High

Management responses

1. *Accepted.*
2. *Accepted.*
3. *Accepted. Given the level of resource at the disposal of management, while some spot checking of the presented indicator figures to the underlying performance report provided by Capita will be introduced, this will initially be limited to a small number of indicators and will only be expanded if inaccuracies which imply there may be issues in the integrity of the indicators are noted. These checks will not include tracing back to source data on the Council's system.*
4. *Accepted.*
5. *Accepted. As noted above initial validation of the presented indicators will be limited to a small number of indicators which relate to particular areas of management concern. This review programme will only be expanded if inaccuracies which imply there may be issues in the integrity of the indicators are noted. These checks will not include tracing back to source data on the Council's system.*

In addition to the recommendations raised by the audit regarding the performance data, management are also concerned with the level of 'third party – on hold' cases which represent cases that are on hold due to Capita waiting on outstanding information. These cases are not currently presented as part of the performance data and therefore management is concerned that Capita is not incentivised to progress such cases. Management will therefore also request that data relating to the level of on hold cases is provided by Capita for discussion at the monthly contract management meetings.

Responsible person/title:

Senior Pensions Officer

Target date:

30 November 2017

Reference number:

1718PFA-4

Current year findings (5 of 6)

Reconciliations

Control design and operating effectiveness

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Finding rating

Rating

Medium

Finding and root cause

Hartlink reconciliation

The Council currently do not reconcile discrepancies between Hartlink (the pensions system) and Oracle (the Council's payroll system) during the year. A reconciliation of active members is performed as part of the end of year process in August, which checks completeness and accuracy of changes made during the year. This year end reconciliation only includes active members.

The Contract contains a performance indicator that states that Capita are responsible for a "Data matching exercise between the Provider's system and the Payroll system" and that this is to take place quarterly. This is currently not being performed. Council management stated that performing this quarterly would be impractical given the time it takes to perform the reconciliation. However the contract has not been revised to reflect this.

In testing a sample of new joiners we found 2/20 (10%) new joiners had two active records and both were two full time jobs. Starter forms were viewed to confirm that they were actual starters at Brent Council. Their previous employers' pension funds were also administered by the Council and the pension records had not been updated when they left that job. Management explained that this will get picked up as part of the year end reconciliation process to ensure that records are accurate when producing the annual benefits statement. The record start date was 26/03/2017.

Pensions Bank Account Reconciliation

Finance performs a monthly reconciliation between the pensions bank account and the general ledger and investigates any discrepancies. We checked the two reconciliations had been prepared and approved by two separate people. We also checked if there were reconciling items older than three months. We found:

- 2/2 (100%) reconciliations included £280k of reconciling items that were over three months old. The oldest transaction was dated 19/08/2016. These items are for LGPS contributions coming from schools and have arisen as the Council have not been provided with the correct information. Management explained that previously both the Payroll department and Finance were involved in following up discrepancies and it was not clear who was taking ownership of investigating them. Since June 2017 Finance have been responsible for this process and are required to communicate directly with the schools in order to clear the items promptly.
- We also noted that the bank reconciliation guidance document for staff is dated September 2015. Although we recognise that most of the guidance provisions are likely to still be relevant, it is recommended that the policies and procedures are reviewed annually to ensure they are updated to reflect any changes to the process.

Current year findings (5 of 6)

Reconciliations

Control design and operating effectiveness

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5

Finding rating

Rating

Medium

Risk

Discrepancies between the pensions bank account and the general ledger may not be identified and investigated on a timely basis resulting in inaccuracies in pensions information in the ledger and making it more difficult to resolve at a later date.

Discrepancies between the payroll system and the pensions system may not be identified and investigated on a timely basis leading to incorrect reporting of pensions. These may also be more difficult to resolve at a later date.

Recommendations

- a) *We will ensure that Capita performs a reconciliation of pension data between Hartlink and Oracle to investigate discrepancies on a quarterly basis in line with the contract. The reconciliation will include non-active and active members. The reconciliation will be prepared and authorised by two separate individuals. The reconciliation will be reviewed by a member of the Council.*
- b) *To help enable the reconciliation to be carried out efficiently we will encourage other payroll providers / employers to provide a correct Pensions Contribution List.*
- c) *Finance will investigate the items which are older than three months and query these with the other payroll providers or employers. Going forward, Finance will be responsible for resolving reconciling items with payroll providers or employers within a timely manner.*
- d) *Finance will review and update the bank reconciliation policies and procedures annually to ensure they are updated to reflect any changes to the process.*

Current year findings (5 of 6)

Reconciliations

Control design and operating effectiveness

Page 196

5

Finding rating

Rating

Medium

Management responses

- Accepted. Management will request that Capita undertake more frequent reconciliations, however the completion of any such reconciliations will be reliant on Capita.
- Accepted. Management have already requested all other payroll providers / employers to provide a correct Pensions Contribution List.
- Accepted. Note that the outstanding reconciling items are made up of previous period amounts (pre-April 2017), for which the transactions will be cleared, and current year amounts, for which the Head of Finance for Children and Young People will email the schools to seek the correct information.
- Accepted.

Responsible person/title:

Senior Pension Officer (actions a and b)

Team Leader – Account to Reporting Team, Resources (actions c and d)

Target date:

a) 31 October 2017

b) Complete

c) 30 November 2017

d) 30 November 2017

Reference number:

1718PFA-5

Current year findings (6 of 6)

Timeliness of processing of pension requests

Operating effectiveness

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6

Finding rating

Rating

Low

Finding and root cause

Capita should send any employee who has applied to retire a form outlining their pension entitlement. This should be sent within three working days. This target was not met for 15/20 (75%) retirees sampled; they took on average 17 working days.

For new joiners, Capita should set up the new joiner in the system within 10 working days of the date the Council provide them with the new joiner details. We found 1/20 new joiners were processed by Capita in more than 10 working days.

Risk

Pension requests may not be processed on a timely basis, leading to complaints from scheme members and/or inaccuracies in the financial records maintained by the Council.

Recommendations

- We will review the contractor's procedures for monitoring of outstanding requests.
- We will assess the magnitude of delays in 2016/17 and assess if they can result in deductions being applied in line with the contract.

Management responses

Agreed. Performance against the contract will be closely monitored going forward to ensure that the council receives the services that it is paying for. Contract monitoring meetings will always be supported by a head of finance, in addition to the pensions administration staff, and the chief finance officer will also personally attend meetings and/or hold separate discussions with Directors or more senior managers within Capita to ensure satisfactory contract performance"

Responsible person/title:

Payroll Pensions Recruitment & MI Manager

Target date:

31 December 2017.

Reference number:

1718PFA-6

Appendix A: Basis of our classifications

Individual finding ratings

Critical

A finding that could have a:

- **Critical** impact on operational performance; or
- **Critical** monetary or financial statement impact; or
- **Critical** breach in laws and regulations that could result in material fines or consequences; or
- **Critical** impact on the reputation or brand of the organisation which could threaten its future viability.

High

A finding that could have a:

- **Significant** impact on operational performance; or
- **Significant** monetary or financial statement impact; or
- **Significant** breach in laws and regulations resulting in significant fines and consequences; or
- **Significant** impact on the reputation or brand of the organisation.

Medium

A finding that could have a:

- **Moderate** impact on operational; or
- **Moderate** monetary or financial statement impact; or
- **Moderate** breach in laws and regulations resulting in fines and consequences; or
- **Moderate** impact on the reputation or brand of the organisation.

Appendix A: Basis of our classifications

Individual finding ratings

Low





A finding that could have a:

- **Minor** impact on the organisation’s operational performance; or
- **Minor** monetary or financial statement impact; or
- **Minor** breach in laws and regulations with limited consequences; or
- **Minor** impact on the reputation of the organisation.

Advisory

A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Report classifications

Report classification	Level of assurance	Description
	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.
	No	Control processes are generally weak leaving the processes / services open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes / services open to error or abuse.

Appendix B: Limitations and responsibilities

Limitations inherent to the internal auditor's work

We have undertaken this review subject to the limitations outlined below:

Internal control

Internal control systems, no matter how well designed and operated, are affected by inherent limitations. These include the possibility of poor judgment in decision-making, human error, control processes being deliberately circumvented by employees and others, management overriding controls and the occurrence of unforeseeable circumstances.

Future periods

Our assessment of controls is for the period specified only. Historic evaluation of effectiveness is not relevant to future periods due to the risk that:


- The design of controls may become inadequate because of changes in operating environment, law, regulation or other changes; or
- The degree of compliance with policies and procedures may deteriorate.

Responsibilities of management and internal auditors

It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

 Brent	Audit Advisory Committee 10 January 2018
	Report from the Chief Finance Officer
Strategic Risk Register Cover Report	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One: • Strategic Risk Register (December 2017)
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Michael Bradley Head of Audit & Investigations Email: michael.bradley@brent.gov.uk Tel: 020 8937 6526

1.0 Purpose of the Report

1.1 The terms of reference of the Audit Advisory Committee includes the review of the adequacy and effectiveness of the risk management framework within the Council. This is a periodic report to update the Committee on the corporate risks currently facing the council; no decision is required.

2.0 Recommendation

2.1 It is recommended that the Committee considers the current Strategic Risk Register (Appendix 1) to assure itself that it includes all appropriate strategic risks facing the Council and that all necessary and appropriate actions are being taken to safeguard the Council's business and reputation.

3.0 Detail

3.1. Roles and Responsibilities

3.1.1. The Accounts and Audit Regulations 2015 requires the Council to undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance. The management of risk is a key element of the Council's governance arrangements.

3.1.2. As outlined within the Council’s Risk Management Policy, the Corporate Management Team is responsible for identifying and managing strategic risks and cross-cutting risks and opportunities facing the Council and ensuring that the management of risk continues to be within the Council’s risk appetite. The Audit Advisory Committee is responsible for considering the effectiveness of the Council’s strategic risk management arrangements and receiving regular reports on the adequacy and effectiveness of the Council’s risk management arrangements and management of key risks.

3.2 Strategic Risk Register (SRR)

3.2.1 The Council’s Strategic Risk Register includes details of:

- Corporate risks that could impact on the achievement of the aims / priorities articulated within the Council’s Borough Plan and also its longer term objectives including the Brent 2020 vision;
- It includes the significant events that could impact upon the infrastructure and the efficient operation of the Council; and
- Risks that cover the full range of principal objectives which are likely to require ongoing control.

3.2.2 Since the last Risk Management report which was presented to the Committee in June 2017, there have been only minor changes made to the register and no new risks have been added.

3.2.3. The current register includes eight risks, the residual risk assessment of which is summarised as follows:

Rating	B/fwd from Q1 2017/18	Risks Added	Risks Withdrawn	Totals as at end of Q3 2017/18
High Risks	1	0	0	1
Medium Risks	4	0	0	4
Low Risks	3	0	0	3
Total	8	0	0	8

3.2.4. The Committee should note that a review of the Council’s Risk Management arrangements is due to be undertaken between January and March 2018. The results of the review will be brought before the Committee. This will include an assessment of how consistently and effectively the identification, assessment and mitigation of risk is occurring. It will also look at the effectiveness of reporting to senior management and the Audit Advisory Committee.

4.0 Financial Implications

4.1 None. There are no specific financial implications associated with noting this report. However, effective risk management helps to avoid or minimise financial loss.

5.0 Legal Implications

5.1 Regulation 3 of the Accounts and Audit Regulations 2015 specifically requires that a relevant authority must ensure that it has a sound system of internal control which includes effective arrangements for the management of risk.

6.0 Equality Implications

6.1 None. There are no equalities issues arising directly from this report.

7.0 Consultation with Ward Members and Stakeholders

7.1 None.

8.0 Human Resources/Property Implications (if appropriate)

8.1 None.


Report sign off:

CONRAD HALL
Chief Finance Officer

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ID1	Link to Brent 2020	Link to Borough Plan	Risk Description	Potential Impacts	Owner	Raw r	Raw I	Raw Risk Score	Controls	Assurance	Net risk	Net like	Net risk score	Movement Indicator	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 insufficient or inappropriate employment opportunities (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 Regeneration & Environment Services / Strategic Director of Children and Young People	3	5	15	Employment Support & Welfare Reform reviews. Regeneration. Strategic Boards set up to address strategy in areas of Civic Enterprises and Business Development. 'The Living Room' initiative, Brent Works - apprenticeship support service. Connexions contract and Brent Connexions employees; Care Leavers' Offer from April 2018'; Inclusion Support work with schools to prevent exclusions showing impact.	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	↔	None		
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 harm or injury , 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	↔	None		
SR3	Business and housing growth – to maximise the tax base to support the delivery of core services.	Better Lives	The provision of business premises and housing 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 rateable value.	5	3	15	↔	None		
SR4	Demand management – to manage the pressure on needed budgets such as children's social care, adult social care and homelessness.	Better Lives	We are unable to contain demand for our services , 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 issues. More children entering the care system or referred for acute safeguarding issues as a result of reduced effectiveness of early help services to meet increased demand. Negative impact on educational, health and wellbeing outcomes for children.	Strategic Director of Community and Wellbeing / Strategic Director of Children's Services	6	3	18	Review and redesign of services. Commissioning Activity. Partnership working. Troubled Families programme; closer co-ordination of support for vulnerable adolescents; implementation of recommendations from OBRs for (i) Children on the Edge of Care and (ii) Gangs.	KPIs around crime including domestic violence are ragged red as at May 2017.	5	2	10	↔	None		

SR5	Raising income – to support the delivery of core services.	All Three Priorities: Better Lives, Better Place and Better Locally	We are unable to maximise the opportunities for generating income in future years.	Inability to support the Council's long term objectives. Service reductions and quality. Only statutory services provided to residents (discretionary and other services cut). Increased burden on council tax payers to pay additional precepts to fund certain services (e.g. social care). Increase in burden on local businesses (increase in business rates)	Strategic Director of Resources	4	4	16	Dedicated resources focused on income generation opportunities. Medium Term Financial Strategy. Invest to Save programme.	Financial reporting. Audit. Performance reports from Economic Development. External Funding obtained.	3	2	6	↔	None		
SR6	All priorities	All Three Priorities: Better Lives, Better Place and Better Locally	The Council does not respond efficiently or effectively to changes in political and legislative environment and / or fails to meet existing statutory responsibilities	The failure to understand or be aware of the impact of new legislation leave the Council unable to adapt or foresee the impact on service provision. Inability to demonstrate good governance.	CMT	6	4	24	Code of Corporate Governance, Statutory Officers, Constitution & Scheme of Delegation. Legal Services. Roles require qualifications / Membership of Professional Body	OFSTED, CQC, Pensions, Audit. Corporate Governance Group. Annual Governance Statement.	5	3	15	↔			
SR7	All priorities	All Three Priorities: Better Lives, Better Place and Better Locally	The Council does not have the required culture, expertise, technology or skills to meet the future challenges the organisation faces.	Changing jobs market means that the Council is facing increased competition for the best skilled staff compounded by difficulties in recruiting in some areas. Loss of experienced staff and expertise in some areas. Reduction in service quality; reduced ability to develop / implement new initiatives; inability to meet its commitments.	Chief Executive	4	6	24	Governance Framework. Recruitment and retention policy and procedures. Talent Management Strategy. Shared Service arrangements. Flexible working and technology to support.	Service reporting to CMT. Audit. Staff Survey.	4	5	20	↔	Launch Workforce Strategy. Brent IT Strategy.		Director of Legal and HR Services
SR8	All priorities	All Three Priorities: Better Lives, Better Place and Better Locally	The Council expands its provision of services in the commercial market or changes delivery models, forms partnerships without due diligence to ensure the Council's objectives are not compromised.	Reputational damage, reduced outcomes for Brent residents, non compliance with legislation, service continuity is impaired.	CMT	5	3	15	Strategic Boards, Programme Management Discipline. Where shared services or companies set up with must be with clear and accountable governance structures and articles of association	Member oversight through Cabinet, Scrutiny and shared services committee, CMT oversight, Audit programme, SLA - Service Performance Reports.	4	2	8	↔	All Directors to receive Company Director Training. To be regularly re run for all new Directors		Director Performance, Policy and Partnerships and Head of Transformation

 <p>Brent</p>	<p>Audit Advisory Committee 10 January 2018</p>
	<p>Report from the Chief Finance Officer</p>
<p>Preparing the Annual Internal Audit Plan 2018/19</p>	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	None
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Michael Bradley Head of Audit & Investigations Email: michael.bradley@brent.gov.uk Tel: 020 8937 6526

1.0 Purpose of the Report

1.1 This paper sets out the process for preparing the Internal Audit annual plan for 2018/19 and seeks input from the Audit Advisory Committee on areas where they think independent assurance may be beneficial.

2.0 Recommendation

2.1 That the Audit Advisory Committee notes the approach to annual audit planning.

3.0 Detail

Annual Audit Planning Process

1.2 The areas that will be proposed for inclusion in the plan will be derived from the following sources:

- Departmental and strategic risk registers;
- Corporate Assurance Map – the output from an ‘assurance mapping’ exercise undertaken in 2017/18 which sought to connect objectives to risks and their respective. sources of assurance, and

- 18/19 provisional list – a list of potential audit areas derived from the IA team’s observations, discussions and review of corporate developments
- 1.3 A resource calculation will be undertaken to establish the amount of ‘auditor days’ that can be fully delivered to the required quality. A portion will be retained for contingency purposes
- 1.4 It is likely that we will have approximately 1100 days of audit work available. We will aim to retain 15-20% of this as contingency.
- 1.5 Once this planning exercise is complete, a proposed draft plan will be discussed with senior management to ensure that the Internal Audit service is fully meeting assurance requirements. This will then be presented to the Audit Advisory Committee in March 2018 for approval.
- 1.6 The Audit Advisory Committee is asked for any areas where they feel independent assurance from the Internal Audit service would be beneficial.

4.0 Financial Implications

4.1 None.

5.0 Legal Implications

5.1 None.

6.0 Equality Implications


6.1 None.

7.0 Consultation with Ward Members and Stakeholders

7.1 None.

Report sign off:

CONRAD HALL
Chief Finance Officer

 Brent	Audit Advisory Committee 10 January 2018
	Report from the Chief Finance Officer
Closure of Accounts 2017/18	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	N/A
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Chris Roberts Senior Finance Analyst Email: chris.roberts@brent.gov.uk Tel: 020 8937 2175

1.0 Purpose of the Report

- 1.1 To provide the Audit Advisory Committee with an update on the plans in place to close the 2017/18 accounts, and prepare and publish the statements within the revised and much earlier statutory deadlines for 2017/18.

2.0 Recommendations

- 2.1 To note the approach being taken to ensure that the Council is able to meet its statutory obligations.
- 2.2 To comment on the proposal to report the draft accounts to Cabinet only, bringing just the final accounts to this Committee.
- 2.3 To request that the timetable of meetings for 2018 include meetings of the Audit and the Audit Advisory Committees scheduled in the last five working days of July.

3.0 Detail

- 3.1 The Local Audit and Accountability Act 2014 introduced powers for the Secretary of State to make regulations on various matters. In 2015, then Secretary of State, Eric Pickles, used these powers to introduce revised

statutory deadlines for the publication, audit and certification of local authority financial statements.

3.2 This revised the statutory deadlines as follows, from 2017/18:

	Previous deadline	2017/18 onwards deadline
Preparation of draft financial statements, signed by CFO and published on website.	30 June	31 May
Approval (by Committee) and publication of financial statements with audit opinion.	30 September	31 July

3.3 As a result, there is significantly less time available for the preparation and audit of the accounts: a month less preparation time, and a month less audit time. Auditors are under further pressure, as they are required to complete the audit of NHS bodies' accounts by 31 May, meaning it is difficult for Local Government work to begin earlier than 1 June.

3.4 Members will be familiar with the recent developments to the requirements for local authority financial reporting, which have been designed to make the financial statements more readable by removing clutter and providing reports aligned to the departments used to manage the Council's financial position in the year. The shorter timescale will build on this by also making financial reporting more timely, bringing it closer to the end of the financial year.

3.5 The 2016/17 closure was carried out alongside a restructuring of the finance service, and utilised a revised approach involving the wider finance team, devolving them responsibility for the preparation of various elements of the statements. As with any major area of work, the preparation of the 2016/17 accounts has been subject to a review of effectiveness and a reflection to establish and record 'lessons learnt'. A review meeting has also been held with the external auditors.

3.6 The main positive reflections from this review were:

- the involvement of the wider finance team was valued as an opportunity to build the team through large-scale participation in a significant piece of work.
- the staff development afforded through broader involvement and exposure to the requirements of the financial accounts will allow wider reflection on potential opportunities to streamline and better fit these with the more general financial management activities carried out through the year.

3.7 The areas identified for improvement were:

- planning, to ensure that requirements are clearly understood between accountants and auditors, and that the standard required for working papers is clearly specified and documented, and this specification communicated with staff.
- timetabling and review, to ensure that things are done in the right order, avoiding double handling; to ensure that the plan acknowledges and accommodates the finance team's other responsibilities; and that the work

done is more thoroughly reviewed in-house to ensure that any issues are identified and addressed before the audit.

- 3.8 The 2016/17 statements were completed in draft by the end of May for initial CFO review, and a draft was certified, published on the website, and reported to Audit in late June. This means that for 2017/18 the preparation will need to be carried out significantly more quickly.
- 3.9 To deliver this statutory obligation, the finance Directorate Management Team (DMT) consisting of the Chief Finance Officer, the seven Heads of Finance, and the Head of Audit and Investigations is closely monitoring the project and has agreed to a target of 30 April for the preparation of the 2017/18 statements.
- 3.10 To achieve this, it was agreed at DMT that the following key principles would guide the approach for 2017/18:
- We will plan early and in detail.
 - We will use estimates where possible and seek to move high risk items into the interim audit.
 - We will review and remove immaterial items where possible.
 - We will improve communication and accountability.
- 3.11 These principles will allow the lessons from 2016/17 to be learnt, will allow the required timescale to be delivered, and will ensure that focus remains on achieving the objective of financial reporting: to present a true and fair view of the Council's financial position, financial performance, and cash flows. This requires that everything presented is of reasonable accuracy (materially correct), a standard which is set by management and must conform as a minimum to the external audit requirements. For 2016/17 this was £12m for financial statements and £0.6m for uncorrected errors which to be reported to the Audit Committee. However, for certain areas of particular sensitivity (such as Members' Allowances and Senior Officer Remuneration) this level will be much lower. The levels for 2017/18 will be reported, along with the audit plan, at this meeting under a separate agenda item.
- 3.12 To meet the agreed principles, work has been allocated to Heads of Finance, and under their guidance, the finance team have been engaged up to Christmas in reviewing the approaches, and preparing the detailed timetable mentioned in paragraph 3.6. The finance team have also received training on the approach to be used, the requirements for working papers, and for relevant personnel some more specific technical areas.
- 3.13 There is no legislative requirement for the draft statements to be reported to Members, and the shorter timescale as well as the local elections mean that it is unlikely that there will be a meeting of this Committee to which the draft statements can be presented, as has been the approach in recent years. Officers still intend, as in previous years, to report the draft statements to the Council's Management Team and Cabinet. The statements will be published on the website once approved by the Chief Finance Officer. However, should the Committee wish to receive them, it would be possible to circulate the link to the statements when published on the website, or if necessary to call a meeting as required.

3.14 The final, audited statements will be presented to the Audit Advisory Committee, and will need to be approved by the Audit Committee and signed by its Chair. To this end it is recommended that in the timetable of meetings for 2018, meetings of the two committees be scheduled in the last five working days of July.

4.0 Financial Implications

4.1 The Council is required to prepare a statement of accounts reporting its financial position, but there are no financial resource implications relating to this report.

5.0 Legal Implications

5.1 The Legal requirements are discussed in the report.

6.0 Equality Implications


6.1 There are no equality implications from this report.

Report sign off:

ARCHA CAMPBELL (Acting S151 Officer)

on behalf of

CONRAD HALL
Chief Finance Officer

 Brent	Audit Advisory Committee 10 January 2018
	Report from the Chief Finance Officer
Treasury Management Strategy 2018/19 Cover Report	

Wards Affected:	All
Key or Non-Key Decision:	Non-Key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One: • Treasury Management Strategy 2018/19
Background Papers:	Annual Treasury Strategy – Report to Full Council as part of the Budget Report – February 2017
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Archa Campbell Head of Finance Email: archa.campbell@brent.gov.uk Tel: 020 8937 4722

1. Summary

- 1.1 This report presents the draft Treasury Management Strategy for 2018/19 for consideration by the Committee. The final version of the Strategy, incorporating the views of the Committee, will be included in the budget report to be approved by the Council on 26 February 2018.

2. Recommendations

- 2.1 The Audit Committee considers and comments on the draft strategy.

3. Detail

- 3.1 The Strategy will set the framework for Treasury Management activity in 2018/19 and includes:
- Current levels of borrowing and investments
 - Interest rate outlook
 - Approach to future borrowing

- Approach to future investments

3.2 The draft strategy is set out in Appendix 1.

4. Financial Implications

4.1 The Council's external interest budget for 2018/19 is proposed to be £23.7m, with budgeted investment income of £1.1m. The minimum provision (set aside for the repayment of debt) is £8.5m. The setting of the capital financing budget for 2018/19 will form part of the overall budget decision to be taken by the Council on 26 February 2018.

5. Legal Implications

5.1 None directly arising from this report.

6. Diversity Implications

6.1 None directly arising from this report.

7. Staffing Implications

7.1 None directly arising from this report.

Report sign off:

CONRAD HALL
Chief Finance Officer

Appendix 1

TREASURY MANAGEMENT STRATEGY STATEMENT

Introduction

1. The Chartered Institute of Public Finance and Accountancy's Code of Practice for Treasury Management in Public Services requires local authorities to determine their Treasury Management Strategy Statement (TMSS).
2. As per the requirements of the Prudential Code of Practice, 2011, the Authority has adopted the CIPFA Treasury Management Code and reaffirmed its adoption at its annual Budget meeting, most recently on 3 March 2014. CIPFA consulted on changes to the Code in 2017, but has yet to publish a revised code.
3. The purpose of this TMSS is, therefore, to set out the following:
 - i. Treasury Management Strategy for 2018/19
 - ii. Annual Investment Strategy for 2018/19

The approved Strategies will be implemented from the date of approval by the Council.

4. The Authority had borrowed £411m of long term debt and had £171m invested at 30 November 2017 and, therefore, has potentially large exposures to financial risks including the loss of invested funds and the effect of changing interest rates. The successful identification, monitoring and control of risk is central to the Authority's Treasury Management Strategy.

Capital Financing Requirement

5. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR). The CFR, together with usable reserves, are the core drivers of the Authority's Treasury Management activities.
6. At 30 November 2017, the Authority held £411m of long term debt and £171m of investments. These are set out in further detail in table 1 below. As a result of the recent rise in interest rates, the return on the council's investments has increased over the early part of the year. The impact of the rate rise on borrowing costs has been limited because the council's debt portfolio is predominantly made up of fixed rate PWLB borrowing.

Existing Investment & Debt Portfolio Position

Table 1

	30/11/2017 Actual Portfolio £m	30/11/2017 Average Rate %	31/3/2017 Average rate %
External Borrowing:			
PWLB – Maturity	288	5.01	5.01
PWLB – EIP	28	2.57	2.57
LOBO Loans	80	4.97	4.98
Fixed Rate Loans	15	4.27	4.27
Total Gross External Debt	411	4.81	4.79
Investments:			
Market Deposits	150	0.46	0.38
Money Market Funds	21	0.34	0.28
Total Investments	171	0.45	0.37
Net Debt	240		

- 7 The movement in actual external debt and usable reserves combine to identify the Authority's borrowing requirement and potential investment strategy in the current and future years. The Authority's current strategy is to maintain borrowing at the lowest level possible unless interest rate prospects present a clear case for taking long term borrowing ahead of immediate requirements.

The Council's CFR is greater than its borrowing, as to minimise interest costs the Council utilises its internal resources over the short term instead of undertaking more expensive external borrowing. However, the increased emphasis on imaginative capital investment to transform the financial position will require some new external borrowing over the coming year.

Interest Rate Forecast

- 8 Following the recent rise in interest rates from the historic low of 0.25%, the expectations for any further increases in short term interest rates are subdued. The Council's Treasury Management advisers, Arlingclose, forecast that official UK Bank Rate will remain at 0.5% for the immediate to medium term future and the minutes of the MPC meeting re-emphasised that any increases in the bank rate would be expected to be limited and at a gradual pace. A chart showing the projected UK bank rate provided by Arlingclose is shown in Appendix D.

The case for any further changes in interest rates is balanced on both sides. Higher inflation, in part as a result of the depreciation in sterling following the

vote to leave the European Union contributes to the upward pressure on interest rates. This pressure is balanced by the challenging outlook facing the UK economy. Lower economic growth expectations following a softening in household consumption growth and the uncertainty around EU negotiations contribute to this. 30-year gilt yields and PWLB rates have risen by 0.2% in the last three months. Officers will continue to monitor developments with the advice of Arlingclose but giving due regard to other published information.

Borrowing Strategy

- 9 The Council currently holds a significant cash balance, however this is expected to decrease over the course of 2018/19 and the medium term. This occurs in a situation in which interest rates, although increased during 2017/18, remain historically low.

The council must ensure that its total debt does not, except in the short-term, exceed the total of the CFR in the preceding year i.e. 2017/18, plus the estimates of any additional CFR for the year 2018/19 and the following two financial years. This allows some flexibility for early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.

If borrowing is undertaken in advance of need there will be a net cost of holding this money until it is used - the “cost of carry”.

The cost of carry needs to be viewed in conjunction with forecast changes in interest rates; where a delay in borrowing could lead to the need to borrow at a future higher rate and where the increased interest over the loan period would far outweigh the short term cost to carry. This needs to be considered against a backdrop of uncertainty and affordability constraints in the Authority’s wider financial position. Any decision to borrow in advance will be considered carefully to ensure that value for money can be demonstrated, and that the council can ensure the security of such funds.

- 10 The Authority will adopt a flexible approach to borrowing in consultation with Arlingclose Ltd. The following issues will be considered prior to undertaking any external borrowing: -

- Ensure that the ongoing revenue liabilities created, and the implications for future capital plans and budgets have been considered;
- Evaluate economic and market factors that might influence the manner and timing of the decision to borrow;
- Consider the pros and cons of alternative forms of funding, interest rate structures and repayment profiles;
- Consider the positive and negative impacts of borrowing in advance of need on the council’s cash balances, in particular the increased exposure to credit risk that will arise as a result of investing this additional cash in advance of need; and
- Consider the requirement in the context of the maturity profile of existing debt and borrowing sources.

Sources of Borrowing and Portfolio Implications

- 11 In conjunction with advice from Arlingclose, the Authority will keep under review the following borrowing sources:
- Internal balances;
 - PWLB and any successor body;
 - Other local authorities;
 - European Investment Bank (Pending EU negotiations);
 - Leasing;
 - Structured finance;
 - Capital markets (stock issues, commercial paper and bills); and
 - Commercial banks and other financial institutions
 - UK Municipal Bonds Agency Plc and other special purpose companies created to enable local authority bond issues.

As the Council did not foresee an immediate need to borrow, and as it was aware of the risks of joint and several liability, it did not take any part in setting up the Municipal Bonds Agency (MBA). The option of joining the MBA or issuing bonds in our own name, are continually under review.

- 12 The council's cash balances are expected to decrease over the course of 2018/19 and the council will continue to use internal resources in lieu of external borrowing as the most cost effective means of funding capital expenditure. As cash balances decrease, the council is likely to borrow externally. Total borrowing cannot exceed the authorised limit for borrowing, currently £1b for 2018/19. The actual level of in year borrowing will depend on number of factors including actual use of reserves, level of capital and revenue expenditure and timing of key cash flows e.g. grants and council tax receipts. The Council anticipate the level of borrowing required will be in the region of £80m between 2018/19 and 2019/20.
- 13 Furthermore, the cost of carry means the use of short term borrowing and repayment by Equal Instalments of Principal (EIP) is more cost effective. This increases volatility in the debt portfolio in terms of interest rate risk but is counterbalanced by its lower interest rates and that borrowing costs are closer to investment returns. It also maintains an element of flexibility to respond to possible future changes in the requirement to borrow. The Authority's exposure to shorter dated and variable rate borrowing is kept under regular review.
- 14 The Authority has £80.5m exposure to LOBO loans (Lender's Option Borrower's Option) and £15m regular fixed rate loans. Of the LOBO Loans £10.0m of these can be "called" within 2018/19.
- 15 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 is compensated for by a lower interest rate being paid. 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.

- 16 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 renegotiated over the next few years due to the need to comply with Basle III regulations for banks in 2019.

Debt Rescheduling

- 17 The Authority's debt portfolio can be restructured by prematurely repaying loans and refinancing them on similar or different terms to achieve a reduction in risk and/or savings in interest costs.
- 18 The lower interest rate environment and changes in the rules regarding the premature repayment of PWLB loans have adversely affected the scope to undertake worthwhile debt restructuring. 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. The rationale for undertaking any debt rescheduling or repayment would be one or more of the following:
- Reduce investment balances and credit exposure via debt repayment
 - Align long-term cash flow projections and debt levels
 - Savings in risk adjusted interest costs
 - Rebalancing the interest rate structure of the debt portfolio
 - Changing the maturity profile of the debt portfolio
- 19 The possible benefit of undertaking a restructuring needs to be carefully evaluated as it depends on how the repayment is resourced. Officers will monitor the portfolio together with Arlingclose and remain alert for opportunities where the potential savings justify the risks involved. Borrowing and rescheduling activity will be reported to the Cabinet and Council in the Annual Treasury Management Report and the mid-year report.

Annual Investment Strategy

- 20 In accordance with investment guidance issued by the Department for Communities and Local Government (CLG), and best practice, this Authority's primary objective in relation to the investment of public funds remains the security of capital. The liquidity or accessibility of the Authority's investments is secondary, followed by the yield earned on investments. However, the likely rise in inflation presents a further risk to the Council in so far as current investment yields are likely to be below the rate of inflation. This means that the value of these investments is declining as time goes on. Though not clearly visible, this will progressively erode the purchasing power of Treasury investments.

- 21 The graph in Annex D shows a comparison between Brent's portfolio and that of Arlingclose's other clients. Brent's portfolio has a very low risk compared with many of the others, which also equates to a lower yield. However, the Council has successfully executed this strategy to obtain higher returns than authorities with similar risk profiles. Brent currently uses quite a narrow range of the instruments which are available, chosen because they are short term and with highly rated counterparties, principally the UK government, local authorities and major UK banks. Additional yield can be offered either in return for higher inherent risk or reduced liquidity (i.e. longer maturities or lower marketability). However, this risk can be mitigated in a number of ways:
- Diversification over a range of counterparties;
 - Seeking collateral or additional security for capital invested;
 - Focusing on capital strength or sound business models.
- 22 Corporate bonds, for example, can give significantly higher yields than our current deposits but give exposure to risks from economic, commercial and operational difficulties. Diversification would involve investing small amounts with a large number of companies or buying diversified Funds. Seeking additional security could involve exchanging our deposit for known high credit quality assets, or a claim on a pool of assets. Seeking capital strength would involve investing in companies with high levels of assets in relation to liabilities or a strong fixed asset base, or whose business is not subject to marked fluctuations in activity or profitability. Annex C compares some readily available options.
- 23 The Council has a borrowing portfolio of £411m and a Capital Financing Requirement of £581m. This £170m difference generates 0.45% of interest. If borrowed up to its Capital Financing Requirement for 25 years on Equal Instalment of Principal terms, it would cost 2.62% from the PWLB. Together, this equals a total 3.07% return, representing a saving of £5.2m to the Council, but also an opportunity to invest.
- 24 Brent currently holds a historically high level of cash which has risen over the last five years. A significant part of this is related to unspent capital grants and Section 106 contributions, which are already reducing. The Capital programme has increased in scale and the relative ease of direct purchasing of assets (PRS and land) means that spend is more likely to meet ambitious targets than in prior years. Therefore overall, it is expected the Council will see the balance of investments decrease.
- 25 Having an appropriate lending list of counterparties, remains critically important to protecting Brent's investments. A list of extremely secure counterparties would be very small, and the limits with each would be correspondingly high. This would expose the authority to a risk of an unlikely but potentially large loss. This arises because the arrangements for dealing with banks in difficulty now require a loss to be imposed on various categories of liabilities of the banks to allow the bank to recapitalise itself and continue in business (sometimes referred to as bail in).
- 26 Local authority deposits could be exposed to a loss of up to 40%, beyond which the government would be able to give support. As a consequence, the Council

has taken steps to reduce exposure to banks, by shortening maturity limits, by investing principally in instruments which can be sold in the event of warning signs being noticed and by diversifying. The Authority and its advisors remain alert for signs of credit or market distress that might adversely affect the Authority. However, The Council wishes to maintain the option of using a wider range of instruments which are not subject to bail in, where appropriate, and this would include the instruments referred to in Annex C. All of these would need a thorough vetting by officers and the Council's Treasury advisors, Arlingclose.

- 27 Investments are categorised as Specified or Non-Specified within the investment guidance issued by the CLG. Specified investments are sterling denominated investments with a maximum maturity of one year. They are also of a high credit quality as determined by the Authority and are not investments that needed to be accounted for as capital expenditure. Non-specified investments are, effectively, everything else. Investments for more than a year remain non-specified until they mature.
- 28 The types of investments that will be used by the Authority and whether they are specified or non-specified are as follows:

Table 2: Specified and Non-Specified Investments

Investment	Specified	Non-Specified
Term deposits with banks and building societies	✓	✓
Term deposits with other UK local authorities	✓	✓
Investments with Registered Providers	✓	✓
Certificates of deposit with banks and Building Societies	✓	✓
Gilts	✓	✓
Treasury Bills (T-Bills)	✓	x
Bonds issued by Multilateral Development Banks	✓	✓
Local Authority Bills	✓	x
Commercial Paper	✓	x
Corporate Bonds	✓	✓
AAA-Rated Money Market Funds	✓	x
Other Money Market Funds and Collective Investment Schemes	✓	✓
Debt Management Agency Deposit Facility	✓	x

- 29 Registered Providers (Housing Associations and Registered Social Landlords) have been included within specified and non-specified investments for 2018/19. Any investments with Registered Providers will be analysed on an individual basis and discussed with Arlingclose prior to investing.
- 30 The minimum credit rating for non-UK sovereigns is AA+ (or equivalent). For specified investments the minimum long term rating for counterparties is A- (or equivalent). Within these criteria the Chief Finance Officer (CFO) will have discretion to accept or reject individual institutions as counterparties on the basis of any information which may become available. The countries and institutions that currently meet the criteria for investments are included in Annex A. The Council uses the lowest rating quoted by Fitch, Standard and Poor or Moody's, as recommended by CIPFA.
- 31 Any institution will be suspended or removed should any of the factors identified above give rise to concern, and caution will be paramount in reaching any investment decision regardless of the counterparty or the circumstances. Credit ratings are monitored continually by the Authority, using the advice of Arlingclose on ratings changes, and action taken as appropriate.
- 32 The Authority banks with National Westminster Bank (NatWest). At present, NatWest does not meet the Authority's minimum credit criteria (its Fitch and S&P ratings are BBB+). While it does not give cause for immediate concern, its status is being monitored and the necessary actions should it deteriorate have been considered. In the meantime, as far as is consistent with operational efficiency, no money is being placed with NatWest and credit balances in the various Council accounts are being kept to a minimum level.

Investment Strategy

- 33 With short term interest rates expected to remain low for many years, an investment strategy will typically result in a lengthening of investment periods, where cash flow permits, in order to lock in higher rates of acceptable risk adjusted returns.
- 34 Following on from the banking crisis of 2008/09 and government interventions to prevent the collapse of the banking system, there has been an increase in legislative restrictions on the extent and manner in which public money can be used in the event of an impending bank failure. In future, governments will be unable to invest public money to rescue banks in difficulty until a significant contribution has been made by those who have certain kinds of investments in the bank concerned, a process called "Bail in". These include deposits by those deemed to be in a position to assess the risk involved, including local authorities.
- 35 Secured deposits of various kinds are not included in bail in provisions. Some other forms of deposits are, but can be sold if felt to be at risk. It is likely that the Council's preferred instruments in lending to institutions without some kind of government guarantee will increasingly be in the form of secured or marketable instruments.
- 36 In order to diversify a portfolio largely invested in cash, investments will be placed with a number of approved counterparties over a range of maturity

periods. Maximum investment levels with each counterparty will be set by the Chief Finance Officer to ensure that prudent diversification is achieved.

- 37 Money market funds (MMFs) will be utilised but good treasury management practice prevails, and whilst MMFs provide good diversification, the Authority will also seek to mitigate operational risk by using at least two MMFs where practical. The Authority will also restrict its exposure to MMFs with lower levels of funds under management and will not exceed 0.5% of the net asset value of the MMF. In addition, each Fund will be limited to a maximum deposit of £10m.
- 38 The investment strategy will provide flexibility to invest cash for periods of up to 370 days in order to access higher investment returns, although lending to UK local authorities can be for up to 5 years. The upper limit for lending beyond a year is £40m. In practice, lending for more than one year will be only to institutions of the highest credit quality and at rates which justify the liquidity risk involved. Marketable instruments may have longer maturities, though the maturity will be considered in conjunction with the likely liquidity of the market and credit quality of the institution.
- 39 Annex C summarises the main features of some instruments which the Council does not use at present but would like to reserve the option to use in the future. Before using any of these, officers would take advice from Arlingclose and adopt suitable guidelines to manage risk from exposure to the new instruments.
- 40 Following the financial crisis and the increasing complexity of financial products the European Commission conducted a review of the existing Markets in Financial Instruments Directive (MiFID) regulations. The result of this review is the MiFID II regulations due to take effect from January 2018. The main change from these regulations is that the council will be reclassified as a retail client with the opportunity to opt up to professional client status. Under the existing regulations, the council is treated as a professional client. As a retail client the council would have increased protection however this would be balanced against potentially higher fees and access to a more limited range of products. The council is currently in the process of opting up to professional client status with counterparties.
- 41 Collective Investment Schemes (Pooled Funds):
The Authority has evaluated the use of Pooled Funds and determined the appropriateness of their use within the investment portfolio. Pooled funds enable the Authority to diversify the assets and the underlying risk in the investment portfolio and provide the potential for enhanced returns. Investments in pooled funds will be undertaken with advice from Arlingclose. The Authority currently has no investments in Pooled Funds at present, but may make prudent use of them in the future.
- 42 Investment Policy:
Treasury Management in the Public Services: Code of Practice (the Code) was updated in November 2011, with a greater focus on risk management and significance of capital security as the Council's primary objective in relation to investments.
- 43 The Council maintains, as the cornerstones for effective treasury management:-

- A treasury management policy statement, stating the policies, objectives and approach to risk management of its treasury management activities;
- Suitable treasury management practices (TMPs), setting out the manner in which the Council will seek to achieve those policies and objectives, and prescribing how it will manage and control those activities.

Policy on Use of Financial Derivatives

- 44 The Authority does not currently use standalone financial derivatives (such as swaps, forwards, futures and options) and will only do so where they can be clearly demonstrated to reduce the overall level of the financial risks that the Authority is exposed to. Additional risks presented, such as credit exposure to derivative counterparties, will be taken into account when determining the overall level of risk. Embedded derivatives will not be subject to this policy. Where schemes contain an embedded derivative they will be subject to evaluation as part of the appraisal of the particular scheme.
- 45 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria. The current value of any amount due from a derivative counterparty will count against the counterparty credit limit and any relevant foreign country limit.
- 46 The Authority will only use derivatives after seeking expertise, receiving a legal opinion and ensuring officers have the appropriate training for their use.

Policy on apportioning Housing Revenue Account (HRA)

- 47 Local authorities are required to recharge interest expenditure and income attributable to the HRA in a way which is fair to the HRA without detriment to the General Fund. The guidance is non-specific, so the Council is required to adopt a policy that will set out how interest charges attributable to the HRA will be determined. The CIPFA Code recommends that local authorities outline this policy in their TMSS.
- 48 As of 1 April 2012, the Council notionally split each of its existing long-term loans into General Fund and HRA pools. Individual loans or parts of loans have been allocated to the HRA, on the basis of achieving the same long term rate as that which applied to the General Fund at the self-financing date. In the future, new long-term borrowing will be assigned in its entirety to one pool or the other, allocating the costs and benefits to each accordingly.
- 49 Differences between the value of the HRA loans pool and the HRA's underlying need to borrow results in a notional element of internal borrowing. This balance will be assessed over the year and interest charged to the HRA at an appropriate rate for short term borrowing. The HRA will also hold reserves and balances which will be invested with the Council, and interest will be paid on identified balances at a rate which recognises that any investment risk is borne by the General Fund.

- 50 The CFO will report to the Audit Committee, Cabinet and Full Council on treasury management activity as follows:
- Annually, against the strategy approved for the year.
 - A mid-year report on the implementation of strategy and main features of the year's activity to date.

Training

- 51 CIPFA's Code of Practice requires the CFO to ensure that all members with treasury management responsibilities, including scrutiny of the treasury management function, receive appropriate training relevant to their needs and understand fully their roles and responsibilities. Arlingclose delivered a training session for members on 19 June 2017. Staff regularly attend training courses, seminars and conferences provided by Arlingclose, CIPFA and others. Relevant staff are also encouraged to study for professional qualifications from CIPFA and other appropriate organisations.

Treasury Management Advisers

- 52 The Authority uses Arlingclose as Treasury Management Advisers and receives the following services:
- Credit advice
 - Investment advice
 - Technical advice
 - Economic & interest rate forecasts
 - Workshops and training events
 - HRA support
 - Other matters as required

The Authority maintains the quality of the service with its advisers by holding quarterly meetings and tendering periodically.

Annex A**ANNUAL INVESTMENT STRATEGY 2018/19****List of institutions which meet the Council's credit worthiness criteria:**

Jurisdiction	Counterparty
UK	Lloyds/Bank of Scotland plc
UK	Barclays Bank plc
UK	Close Brothers Ltd
UK	Goldman Sachs International Bank
UK	HSBC Bank plc
UK	Abbey National/Santander (UK) plc
UK	Standard Chartered Bank
UK	Coventry Building Society
UK	Leeds Building Society
UK	Nationwide Building Society
Australia	Australia and NZ Banking Group
Australia	Commonwealth Bank of Australia
Australia	National Australia Bank Ltd
Australia	Westpac Banking Corporation
Canada	Bank of Montreal
Canada	Bank of Nova Scotia
Canada	Canadian Imperial Bank of Commerce
Canada	Royal Bank of Canada
Canada	Toronto-Dominion Bank
Denmark	Danske Bank a/s
Finland	Op Corporate Bank
Germany	FMS Wertmanagement
Germany	Kreditanstalt fuer Wieferauf
Germany	Landesbank Hessen-Thuringen
Germany	Landeskred Baden-Wuerttenburg
Germany	Landwirtschaftliche Rentenbank
Germany	Landesbank Sachsen-Anhalt

Netherlands	Bank Nederlandse Gemeenten
Netherlands	Cooperatieve Rabobank UA
Netherlands	ING Bank NV
Netherlands	Nederlandse Waterschapsbank
Norway	Kommunalbanken AS
Singapore	DBS Bank Ltd
Singapore	Overseas-Chinese Banking Corporation
Singapore	United Overseas Bank Ltd
Sweden	Nordea Bank AB
Sweden	Svensk Exportkredit AB
Sweden	Svenska Handelsbanken a shs
Switzerland	Credit Suisse AG

The list above represents the institutions which meet the criteria at the time of preparation of the strategy. It does not include institutions to whom we are prepared to lend on the basis of sovereign or quasi sovereign status. The Authority's Chief Finance Officer may introduce new names which meet the criteria from time to time and may adopt more restrictive limits on maturity or value as seems prudent. The Council may also lend any amount to any UK national or local government body for up to 5 years. However, in light of the reductions of central government funding, additional credit worthiness criteria will be required, so smaller bodies with weaker balance sheets would be unlikely to meet the Council's rigorous standards.

An operational list of institutions which are approved to take deposits from the Council will be prepared and circulated to dealing and approving Officers from time to time. This includes money market funds. A protocol will also be maintained describing how investments will be chosen and managed.

Group Limits - for institutions within a banking group, the authority may lend the full limit to a single bank within that group, but may not exceed the limit for all group members. All direct investments with a bank or group will be subject to that limit.

Annex B

Non-Specified Investments

Instrument

Call accounts, term deposits and Certificates of Deposit (CDs) with banks, building societies and local authorities which do not meet the specified investment criteria (on advice from Arlingclose)

Deposits with registered providers

Gilts

Bonds issued by multilateral development banks

Sterling denominated bonds by non-UK sovereign governments

Money Market Funds rated below AAA and Collective Investment Schemes

Corporate and debt instruments issued by corporate bodies

Collective Investment Schemes (pooled funds) which do not meet the definition of collective investment schemes in SI 2004 No 534 or SI 2007 No 573. These would be capital expenditure.

The Authority will hold up to a maximum of £40m in non-specified investments at any time, which may all be in one category subject to individual counterparty limits.

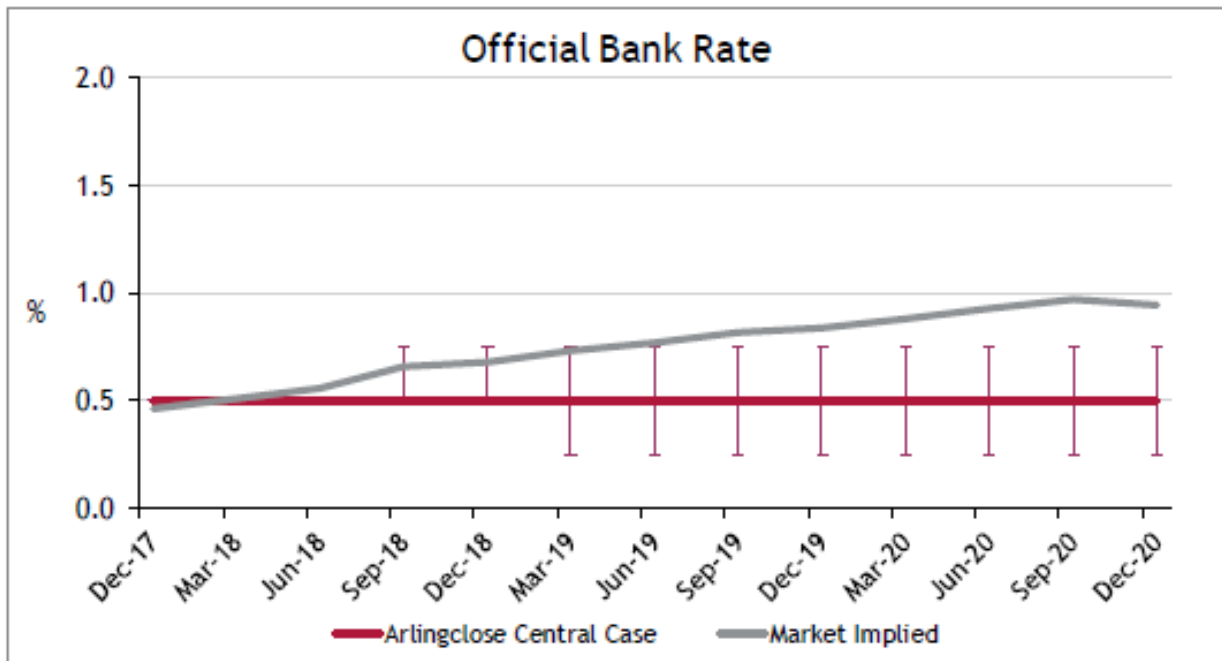
Annex C

Other available options

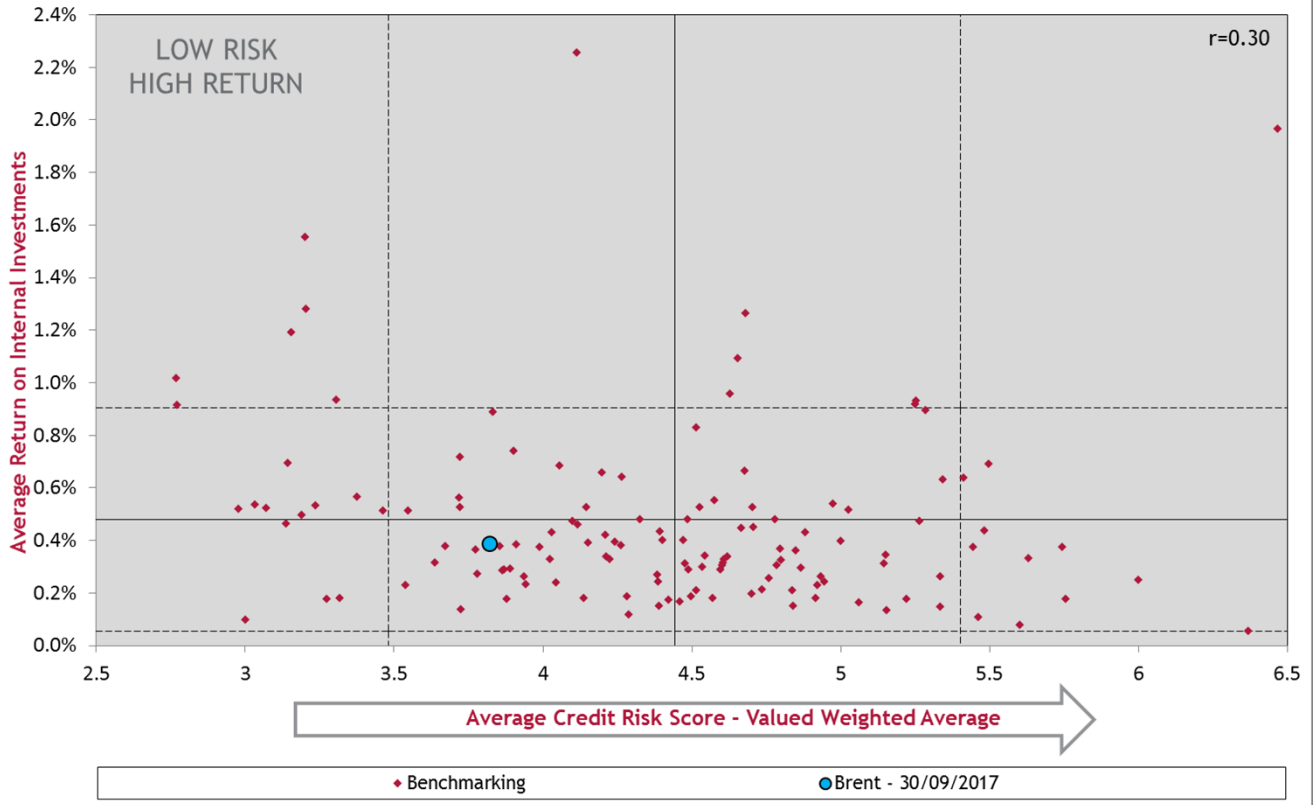
All of the instruments are exempt from the risk of being bailed in, if the institution borrowing the Council's money is eligible for bail in.

Instrument (and suitable time scale)	Features	Advantages
Short bond or cash plus funds 6 months – 2 years	Purchase shares Cash invested in a diversified portfolio of liquid securities	Improved yield from various sources Redeemable asset
Repurchase arrangement (repo) 1 month – 1 year	Loan to counterparty secured by exchange of collateral as security repayment (usually government stocks)	Offers improved yield by allowing extension of maturity limits
Covered bonds 3 months – 3 years	Bond guaranteed by nomination of a pool of assets as security. Bond will have its own credit rating	Offers improved yield by allowing extension of maturity limits and use of counterparties who would be excluded by their own rating
Corporate bonds 1 month – 2 years	Loan to company in marketable form. Security is the company's credit rating and assets	Improved yield because of lower liquidity and economic risk. Corporate capital structures are often more secure than financial counterparties
Corporate bond funds 6 months – 3 years	Purchase shares Cash invested in a diversified portfolio of corporate borrowing	Diversification means reduced risk Wide range of yields depending on liquidity and risk appetite
Property Funds 5 years	Purchase shares Cash invested in a diversified portfolio of properties	Yields can be high by Treasury standards

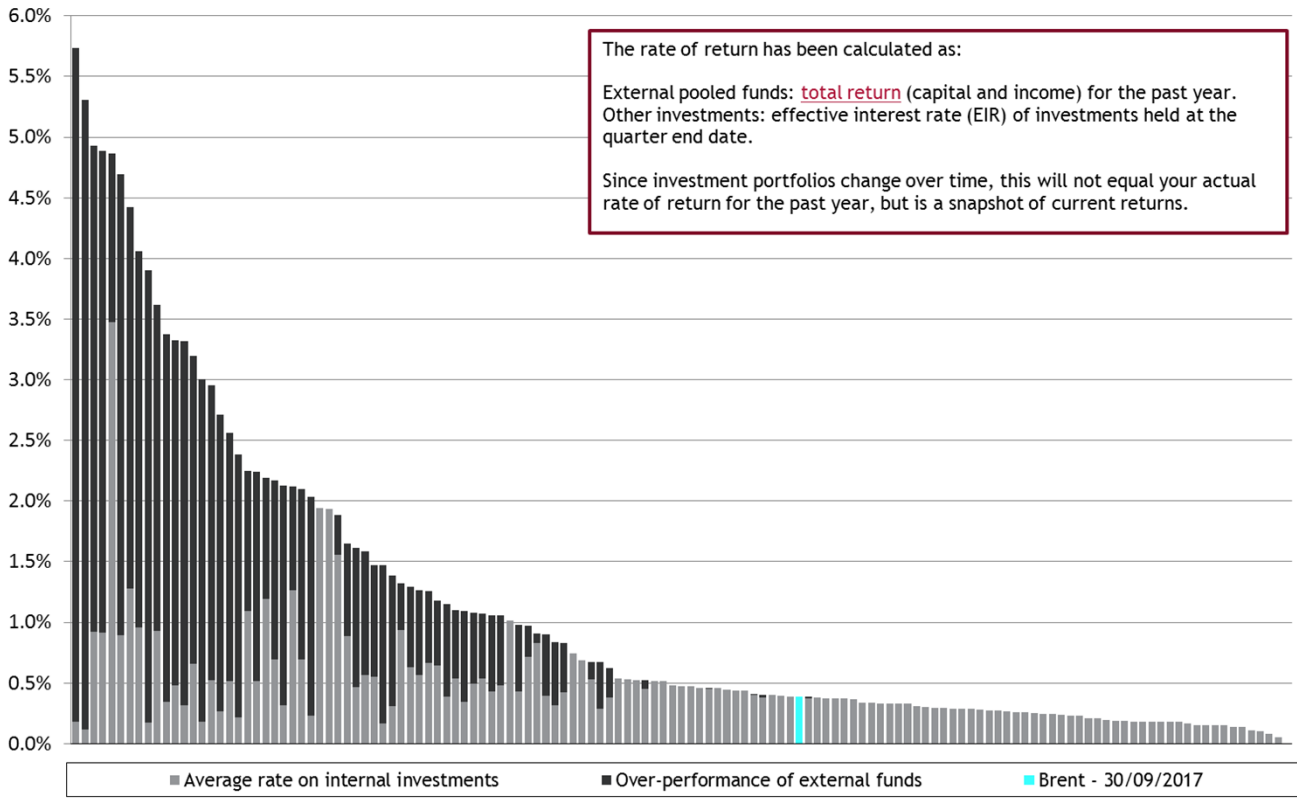
Annex D




Internal Investments: Average Rate vs Credit Risk (value-weighted)



Total Return on Total Investment Portfolio (Internal plus External Funds)



 Brent	Audit Advisory Committee 10 January 2018
	Report from the Chief Finance Officer
Internal Audit & Counter Fraud Progress Report for the Period 1 September – 31 December 2017	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One: <ul style="list-style-type: none"> • 2nd Internal Audit & Counter Fraud Progress Report – 2017/18
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Michael Bradley Head of Audit & Investigations Email: michael.bradley@brent.gov.uk Tel: 020 8937 6526

1. Summary

- 1.1 This report provides an update on the progress against the internal audit plan for the period 1 September 2017 to 31 December 2017. The appendix to the report also summarises those audits from the 2017/18 plan which have been finalised since the last meeting of the Committee. The report also provides a summary of counter fraud work for the period.

2. Recommendations

- 2.1. That the Audit Advisory Committee notes the progress made in delivering the 2017/18 Internal Audit Plan and the counter fraud work in the period of the report.

3. Detail

3.1. The key points to note with regards to progress for the current year are:

- There were initially 62 audit projects included within the agreed 2017/18 plan (excluding follow up and advisory work). Work has commenced on 16 of these. See Table 5 for list of audits in progress. As previously reported, a number of reviews have been amalgamated, deferred and in some cases deleted. A final reconciliation and full details of movements will be provided in the final progress report for 2017/18.
- Seven audits have been added to the plan. See table 3 below for the list of audits added to the plan.
- 12 audits from the 2017/18 plan have been completed to draft or final stage:
 - GDPR;
 - Pension Fund Administration;
 - IT disaster Recovery;
 - Contract Management R&ES;
 - Leasehold Management;
 - Continuous Audit Monitoring (CAM) Phase 1;
 - HR Contract Administration;
 - Payroll;
 - BACS Payments;
 - Asset Management;
 - Capital Programme, and
 - Introductory Tenancies.

A Rent Arrears Management review was also finalised and issued in this period from the 2016/17 plan with a 'reasonable assurance' outcome

- Nine of these audits have an assurance opinion associated with them. Three have reasonable assurance (Leasehold Management, CAM, and BACS) and three have limited assurance (Payroll, Pensions Administration and IT Disaster Recovery). The remaining three relate to consultancy work which do not have an assurance rating attached. The three remaining reviews are at a draft report stage that has not yet been formally discussed with management (Asset Management, Capital Programme, and Introductory Tenancies).

Table 1 – Summary of Audits Completed Since last audit report





Total Number of Audits Completed	Substantial 	Reasonable 	Limited 	None 	Non Assurance	Total
Finals	-	3	2	-	3	8
Draft	-	-	1	-	-	1
Total	-	3	3	-	3	9

Table 2 – Projects Added to the Plan

Audit	Reason
Treasury Management	Transferred from 2016/17 plan
Leasehold Management and Service Charges	Transferred from 2016/17 plan
Integrated Asset Management (BHP) – Follow Up	Transferred from 2016/17 plan
Payroll	Full audit included
HR Contract Administration	Audit included at request of management
Contract Management structure R&ES	Audit included at request of management
Safeguarding - Adults	Replacement for Quality of Care audit in original plan

Table 3 – Audits in Progress

Audit
Changes to PCI Requirements – fieldwork
IT Security and Access Management – fieldwork
Transport Shared Service – scoped and planned for Q4

Table 4 – Audits in Progress for Investing for Brent (I4B)

Audit
Governance, Risk Management and Financial Management
Benefits Realisation, Management Information and Reporting
Financial Model Review
Fraud Risk Assessment

Table 5 – Delivery Status as at 31 August 2016

Delivery Status	
Total number of reports to be delivered in current plan	38 (revised)
Number of draft/final reports/certifications issued to date	16
% of reports issued to date	42%

- 3.2. There has been a number of amendments to the initially agreed audit plan. Audit owners have been consulted on all changes. Requests for additional work have been accommodated. The service has completed a restructure and is now in the process of recruiting to a number of posts in both the Internal Audit and Investigations teams.

Follow Up of 2016/17 Audit Recommendations

- 3.3 The Public Sector Internal Audit Standards requires the Head of Internal Audit and Investigations 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.

Follow up work of 2016/17 audits will be undertaken in quarter four of 2017/18.

Public Sector Internal Audit Standards

- 3.5. The Head of Audit and Investigations undertook a self-assessment of the Public Sector Internal Audit Standards (PSIAS) against their Quality Assurance and Improvement Plan checklist. The results and action plan were the subject of a separate report to the Committee. An update on progress against the plan will be included in the next progress report.
- 3.7. In addition, the standard also requires the internal audit function to be reviewed by an external organization at least every five years. The Internal Audit function has nominated itself for a peer review which has been requested for spring 2018.

Counter Fraud Progress Report

Internal Fraud 2017/18

- 3.8 There has been six new referrals received during Q2 and a total of 14 referrals this year. This includes protected whistleblowing disclosures and a range of case types. It does not include related proactive work or review of the National Fraud Initiative (NFI) data matches.
- 3.9 The two cases where fraud/irregularity was identified involved an undisclosed conflict of interest and a breach of financial regulations (school case). In each case, appropriate remedial action was taken by management.

Table 6

Internal Fraud	2017/18 Q2	2016/17 Q2	2017/18 Q1	2016/17 Q1	2016/17 (year)	2015/16 (year)
Open Cases b/f	16	22	16	22	22	21
New Referrals	6	4	8	10	28	42
Closed Cases	10	11	8	10	34	31
Open cases carried c/f	12	15	16	22	16	22
Fraud / Irregularity identified	2	4	2	2	12	9
Dismissal	0	1	0	0	1	3
Resignation	0	0	0	1	2	5
Warning	0	1	1	0	1	1
Other outcome (see below)	2	2	1	1	8	4

- 3.10 A proactive exercise by the Investigations team relating to conflicts of interest was completed in Q2 and identified a system weakness in the Declaration of Interest (DOI) procedure. This identified staff (including agency staff) in key decision-making positions who had not updated their record of interests as specified in the DOI policy and, in some cases, a DOI was not held. These findings have been reinforced whilst reviewing related NFI data matching reports which often show no up-to-date DOI is held albeit for lower grade officers. No fraud has been identified as yet in these cases - however, there is a clear risk to the Council if this is not properly mitigated. This area will be included in the 2018/19 Internal Audit plan (alongside a review of our Gifts and Hospitality arrangements).

Anti-Fraud Policies

- 3.11 A recent refresh of the Anti-Fraud and Bribery Policy and the Whistleblowing Policy along with the introduction of a new Anti-Money Laundering Policy was approved by the Audit Advisory Committee on 5 December 2017. The Investigations team will prepare a publicity plan to promote these policies throughout the Council and amongst all stakeholders to increase awareness, generate better quality referrals and raise the

team's profile.

Tenancy and Social Housing Fraud

3.12 The recovery of social housing properties from fraud investigations has a positive impact upon the temporary accommodation budget and remains a high priority risk area to the Council. The Audit Commission has estimated that the average national value of each recovered tenancy is £18,000*. A more realistic value is £93,000 as reported by the Cabinet Office (National Fraud Initiative 2016). These are notional values and for consistency in reporting, we use the lesser value. The counter fraud activity up to the second quarter of the year is summarised in the table below:

Table 7 – Tenancy and Social Housing Fraud 2017/18

Housing Fraud	2017/18 Q2	2016/17 Q2	2017/18 Q1	2016/17 Q1	2016/17 (year)	2015/16 (year)
Open cases b/f	76	160	82	121	121	174
New Referrals	36	90	27	140	332	250
Closed Cases	51	111	33	101	371	314
Open cases carried c/f	61	139	76	160	82	121
Fraud Found	7	13	6	13	52	73
Recovered Properties	7	11	5	10	44	63
Applications Refused	NIL	NIL	NIL	NIL	NIL	2
Property Size Reduced	NIL	2	1	1	4	5
Right To Buy	NIL	NIL	NIL	2	4	3
Value of properties recovered*	£126,000	£198,000	£90,000	£180,000	£792,000	£1,134,000
Value of property size reduction*	NIL	£36,000	£18,000	£18,000	£72,000	£90,000
Value of Right to Buy Discount Prevented**	NIL	NIL	NIL	£207,800	£416,000	£282,000
Cases with Legal for Possession/Prosecution	19	37	25	33	26	18

* Notional value of recovered properties used for reporting is £18,000

** Actual amount of RTB discount stopped

3.13 A total of 13 properties with a notional value of £234,000 were recovered as a result of fraud/irregularity up to the end of Q2. This is a reduction of 50% (13) compared to the same period last year. It should be noted however, that to the end of November 2017, a total of 30 recoveries have been completed, including one Right to Buy with an actual discount saving of £103,900. This is comparable to last year's performance in this period. We believe, however, there may a temporary dip in recoveries in the final quarter due to a slow-down in referrals as well as the temporary disruption of a

service restructure.

- 3.14 The total referrals for Q1 and Q2 are lower compared with the same period as last year. However, referral quality has increased and the fraud detection rate of closed cases has remained constant. Higher referrals in the previous two years was a result of proactive work relating to perceived risk factors such as tenants not reporting repairs for a long period. This type of rationale has resulted in a low detection rate despite apparently higher referrals. This approach to proactive work has been revised - the focus in future will be on intelligence-led proactive exercises with improved collaboration with the Tenancy and other relevant housing teams.
- 3.15 One notable case was a Housing Association tenant who was prosecuted in Q2. The tenant had pleaded guilty to section 2(1) of the Prevention of Social Housing Fraud 2013 for unlawful subletting between 15 October 2013 and 22nd March 2017. The tenant was fined £500 with a judgement made for an Unlawful Profit Order of £1,170.
- 3.16 There have been no housing applications stopped to date as was the case last year. The Housing Needs Service (HNS) do refer a small number cases to the Investigations team but they rely on us more for assistance with specific enquiries. There is an emphasis within HNS on verification at the point of contact when the need for prompt decisions is a factor when considering a fraud referral. The Investigations team will work with HNS to review this process.
- 3.17 In addition to reporting successful tenancy recoveries, the Investigations team undertake detailed value add work even when a tenancy is not recovered. In most of these cases where no further action is taken, the team will often complete a tenancy verification including confirmation of the entire household composition. This will be held on the tenancy file and contributes towards the Tenancy team's objectives. By completing these verifications it serves to prevent fraudulent tenancy succession claims where an applicant may dishonestly claim to reside at a property. Since July 2017 to November 2017, a total of 26 cases have been closed with no fraud/irregularity and a tenancy verification completed.

External Fraud

- 3.18 'External fraud' includes all other external fraud/irregularity that affects the council. This will include (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter fraud activity up to the second quarter of the year is summarised in the table below:

Table 8 – External Fraud 2017/18

External Fraud	2017/18 Q2	2016/17 Q2	2017/18 Q1	2016/17 Q1	2016/17 (year)	2015/16 (year)
Open cases b/f	13	106	14	57	57	20
New Referrals	29	30	14	83	161	99

Closed Cases	20	64	15	34	204	62
Open cases carried c/f	22	72	13	106	14	57
Fraud / Irregularity	2	3	4	4	22	10
Prosecution	NIL*	1	NIL	NIL	2	NIL
Warning / Caution	NIL	1	NIL	1	6	3
Overpayment / Saving identified	2	NIL	3	1	7	7

- 3.19 This type of referrals has increased since Q1. There are two main reasons for this: (1) multiple Freedom Pass fraud and (2) use of an online fraud reporting tool and increased profile on the internet. Although, referrals were higher in last year's Q1, this was due to a specific proactive on the Council Tax Reduction Scheme with referrals being generated within the team.
- 3.20 Since Q1, the team has led on an organised Freedom Pass fraud investigation against several councils in London with over 100 fraudulent applications identified to date. The team has so far identified 17 fraudulent Brent applications. The main subject of the investigation has been identified, arrested and released pending further enquiries. The investigation is in collaboration with London Councils, Transport for London and the Police but is being led by Brent Council. The fraud has been prevalent since September 2016 and specifically targeted the 'Partially Sighted' entitlement category using false supporting documentation. This has occurred due to weak system controls with verification of supporting documentation, which was addressed with the service area at an early stage. The potential value of a Freedom Pass is approximately £6,000 per year and the cost to councils is significantly more due to the charging structure with London Councils.
- 3.21 Although the table shows NIL prosecutions in this category, an insurance case was prosecuted in Q1 but due to an administration error it was not recorded until Q3 on the case management system. The defendant pleaded guilty to section 2 of the Fraud Act for attempting to defraud the council with a false damage claim to their vehicle. In addition to the claim being repudiated, the defendant was fined £1,800 and ordered to pay costs/surcharge of £870.
- 3.22 A long-standing school case involving an ex-employee that was originally referred to the Police in 2013, was closed in Q2 due to inability to progress a criminal prosecution. The individual had resigned in February 2013 pending a disciplinary investigation into alleged theft of school funds. Evidence of irregular cheque expenditure was later uncovered to show the ex-employee had paid £38,108 to herself and her daughter between 2008/09 and 2011/12. The cheques were drawn against both the school's official budget share account and its private fund due to significant lack of system controls.

Proactive Counter Fraud activity

3.23 Two proactive exercises were closed in Q2:

- **Conflicts of Interest** – identified inadequate system controls and, although no fraud was identified, it presents a clear risk and will now form part of next year's internal audit plan.
- **Blue Badge** – the latest drive was undertaken in July 2017 and resulted in good publicity. There were six parking fines issues for Blue Badge related offences. One vehicle was removed, four badges were retained and 12 parking fines were issued for other parking offences.

3.24 There are a number of proactive exercises proposed from Q2/3 onwards:

- **Direct Payments** (Q3) – this is underway and involves a review of four cases provided by the client where fraud/irregularity has been suspected. The review includes checks on the decision making process and monitoring of expenditure. To date, no evidence of fraud has been identified and the proactive is expected to be completed in January 2017.
- **Business Rates** in high risk industrial areas (Q2) – this proactive has not commenced as further preparation work needs to be done to ensure operational effectiveness. An internal audit was conducted earlier this year and further review of the findings and recommendations will be undertaken to consider whether this proactive is likely to be effective.
- **Council Tax** - students (Q2) – this proactive was considered for Q2 but the data supplied is unclear and will need further preparatory work before taking forward. One consideration is to replace this with a review of new NFI data matches that will be available in January/February 2018. The reports generated will cover both student and Single Persons Discount irregularities from recent data submissions in December 2017 of both Council Tax and Electoral Roll. This should provide the most accurate data to form an effective proactive exercise and will commence in Q4.
- **Procurement** (Q3) – further preparation into this proposed proactive is required to ensure its effectiveness. The earliest start date would be in Q4.
- **Blue Badge** – one day per month (Q2/3/4) – this proactive has been cancelled for a number of reasons. It was proposed to do this in addition to our quarterly proactive but due to resources it would not be feasible. In addition, the Investigations team has been working with the parking enforcement teams since Q1 to provide training with Blue Badge enforcement, inspection/seizure of badges and retention of evidence. We have also assisted the parking enforcement team to develop an intelligence database to help them identify persistence misuse, respond to customer complaints of misuse and target hotspots.
- **Housing** – visiting drive to a high risk blocks / estates (Q3/4) – initial preparation for this proactive is underway and will be based on known risk areas for unlawful subletting, supported by good intelligence from both the Tenancy team and our sources. It is anticipated that this will be a collaborative approach with the Tenancy team.

3.25 The **National Fraud Initiative** (NFI) 2016/17 data matching exercise is now underway following data submission in October 2016 and matches generated since January 2017. There are a total of 20,463 data matches (8,036 are recommended) across the

full range of data sets that include Payroll, Pensions, Finance, Creditors, Housing, Benefits, Direct Payments, Insurance, Parking Permits and concessionary travel. All NFI Key Reports have either been reviewed or is under review. To the end of November 2017, the overall summary of NFI work is as follows:

- Matches processed/reviewed 1033 (to Q1 was 854)
- Investigating 16 (up to Q1 was 52)
- Cleared 684 (up to Q1 was 507)
- Fraud/Error identified 319 (no change since Q1)
- Overpayment/Saving identified £168,177.44 (no change since Q1)

Notable results from NFI reports reviewed is as follows:

- Blue Badge data to deceased persons; 447 matches reviewed and 304 fraud/errors found resulting in live badges being cancelled. Notional saving of £152,000 recorded (£500 for each badge cancelled).
- Brent Pensions to deceased persons; 67 matches reviewed with 12 fraud/error cases found resulting in pensions being terminated and £9,077 being recovered. One case remains under investigation.
- Insurance multiple claims within Brent; one case identified with a reserve of £7,100 which has been cancelled/withdrawn.

3.26 This year we have introduced an enhanced risk scoring system for all types of referrals to complement our existing and effective intelligence checking capability. This has helped to screen referrals without veracity and focus resources on higher priority cases.

3.27 In June 2017, the Investigation team introduced an online fraud reporting tool for both the internet and intranet (links below), which allows informants to provide information anonymously or supply their contact details. Current figures suggest the system is effective with an increase of online referrals from the public and a slight decrease in telephone referrals as set out in the table below.

Period	Online referrals	Hotline referrals
Q1	15	5
Q2	24	2
Oct / Nov	25	3

External: <https://www.brent.gov.uk/firmstep/forms/report-fraud/>

Internal: <https://internal.brent.gov.uk/firmstep-intranet-forms/fraud-affecting-the-brent-council/>

3.28 At the end of Q2 the Investigations team introduced a **Simple Caution** process as a disposal method for suitable first-time and low-level criminal offences as part of our sanction authorisation procedure. This acts like a Police caution and can be taken into consideration for future offences. This process falls within the scope of the Anti-Fraud and Bribery Policy.

4.0 Financial Implications

4.1 None. There are no specific financial implications associated with noting this report.

5.0 Legal Implications

5.1 None.

6.0 Equality Implications

6.1 None.

7.0 Consultation with Ward Members and Stakeholders

7.1 None.

8.0 Human Resources/Property Implications (if appropriate)

8.1 None.

Report sign off:

CONRAD HALL
Chief Finance Officer

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Internal Audit
2nd Internal Audit & Counter Fraud
Progress Report – 2017/18
London Borough of Brent
January 2018

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Executive Summary

Introduction	This report sets out a summary of the work completed against the 2017/18 Internal Audit Plan including the assurance opinions awarded and any high priority recommendations raised.
Summary of Work Undertaken	<p>The final reports in respect of the 2016/17 period and issued since the last meeting relate to the following areas, with further details of these provided in the remainder of this report:</p> <ul style="list-style-type: none">• Rent Income Arrears Management <p>Final Reports issued since the last meeting in respect of the 2017/18 financial year are as follows:</p> <ul style="list-style-type: none">• Pension Fund Administration• IT Disaster Recovery• Contract Management Restructuring Review – Consultancy• Leasehold Management• HR Contract Administration Review• CAM Phase 1• Troubled Families Grant Claim Certification• BACS Payments <p>Audit reviews at draft report stage are as follows:</p> <ul style="list-style-type: none">• Payroll• Capital Programme Management• Asset Management• Introductory Tenancies

Detailed summary of work undertaken


SUBSTANTIAL / REASONABLE ASSURANCE REPORTS: 2016/17

Only those audits for which Substantial Assurance was given are indicated here.

Audit	Assurance Opinion and Direction of Travel
General Audits	
Rent Income Arrears Management	 Reasonable

SUBSTANTIAL / REASONABLE ASSURANCE REPORTS: 2017/18

Only those audits for which Substantial Assurance was given are indicated here.

Audit	Assurance Opinion and Direction of Travel
General Audits	
Leasehold Management	 Reasonable

LIMITED ASSURANCE REPORTS – General Audits

For all Limited Assurance reports, we have included a brief rationale, together with details of any **High Priority** recommendations raised, including the agreed actions to be taken and deadlines for implementation. These are the key audits and recommendations which the Committee should be focusing on from a risk perspective.

Pension Fund Administration

The Council is responsible for the administration of a defined benefit pension fund under the Local Government Pension Scheme (LGPS) Regulations 1998 (as amended in 2007). As fund administrators, the Council is responsible for:

1. The collection of contributions; both directly from the Council and its employees.
2. The investment of funds in accordance with LGPS regulations,
3. The payment of monies to retired scheme members, and
4. Administering the fund for other employers.

The Council outsources the key administrative day to day processes to Capita (a business process outsourcing company), including the processes for starters, leavers, transfers and retirements. The contract with Capita is due to expire at the end of September 2017. Employers of scheme members who are not employed by the Council are required to submit data about these employees annually. Capita is also responsible for collection of the annual data submission from the employers, reviewing the submission and processing any required changes. The output of the data collection feeds into the annual benefits statement. The deadline for the annual data submissions was May 2017.

Key findings

The objective of this review was to identify and test the design and operating effectiveness of key controls in relation to the administration of the pension fund, including starters, retirements, annual data collection and reconciliations.

We found that there are examples of where good practice has been implemented, for example the automated new joiners process ensures that the correct contribution rate is used based on the salary details entered into the payroll system; there is a process to identify deceased individuals and halt their payments in a timely manner; and the pensions officer meets with Capita regularly to ensure that there is communication between the two parties.

Although examples of good practice have been noted, a number of areas for further improvement have been identified. The key areas of improvement relate to payment of benefits, data submissions from third party providers, and management of the contract with Capita. Our other findings relate to areas where procedures could be improved to make the control environment more efficient and effective.

Four High risk, one Medium risk and one Low risk findings were identified as a result of this audit. The action points agreed by management for the high risk finding are set out below.



Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Retiree Payments</u></p> <p>a) Management will instruct Capita to investigate the remaining eight cases for which the accuracy of the final salary data used was unable to be confirmed as part of the audit.</p> <p>b) Based on the level of issues noted, management will review the current control processes and consider the need to implement further additional checks and controls to mitigate the risk of incorrect final salary information being used.</p>	<p>All Agreed.</p> <p>Recommendation “a” Senior Pension Officer Recommendation “b” – Payroll, Pensions, Recruitment & MI Manager.</p> <p>a) 31 October 2017 b) 30 November 2017</p>
<p><u>Pension Changing to Standing Data</u></p> <p>a) Changes to bank account details will need to be processed by one staff member and reviewed by another to ensure segregation of duties.</p> <p>b) On a weekly basis, management will review all changes to pension bank accounts that have occurred in the week so they can monitor changes and ensure they are appropriate. The list of changes to bank accounts will be compared to the list of deceased individuals in the period to ensure that bank accounts of deceased have not been fraudulently changed.</p>	<p>a) Agreed.</p> <p>Payroll Manager</p> <p>1 November 2017</p> <p>b) Not Agreed.</p>
<p><u>Data Submissions</u></p> <p>a) We will ask Capita to investigate the exceptions noted in this report and going forward will ensure an audit trail of each of the third parties submissions is retained.</p> <p>b) We will ask Capita to use a more detailed monitoring tracker that not only shows the status of each submission but also the status of the request with each employer and key dates to enable timeliness of data checks to be monitored.</p>	<p>All Agreed.</p> <p>Senior Pensions Officer</p> <p>a) 31 October 2017 b) Complete</p>
<p><u>Contract Management</u></p> <p>a) We will escalate to Capita the indicator omitted from the performance report (Monthly Performance Report to be completed by Capita within 5 working days of the end of the contract month’) and emphasise the importance of meeting this KPI to ensure the Council has time to</p>	<p>All Agreed.</p> <p>Senior Pensions Officer</p> <p>30 November 2017</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>review the report before the contract meeting.</p> <p>b) We will check the completeness of the performance reports monthly to ensure indicators are not omitted from reporting.</p> <p>c) We will implement a spot checking procedure to check the result reported agrees to the underlying performance data for a defined sample of indicators each month.</p> <p>d) We will record specific key points and actions concerning underperformance discussed in the contract monitoring meetings, so it is clear where Capita are underperforming and what actions they are taking to address this. Progress against these actions can then be followed up at the subsequent meetings.</p> <p>e) We will define a validation activity plan to ensure that assurance is obtained across all performance areas over time. We will perform a risk mapping exercise to ensure that validation plans are focussed on key risks and all sources/methods of assurance are identified and utilised. This will ensure that independent assurance is targeted at key risk areas.</p>	



IT Disaster Recovery

The London Borough of Brent (“the Council”) is now a provider of IT services to the London Borough of Lewisham via the IT Shared Services Council and there are plans underway to expand IT service provision to a third borough in 2017/18. The creation of the new IT Shared Services Council, and greater concentration of IT risk increases the need for clear and robust procedures for IT Disaster Recovery.

The IT Disaster Recovery (“ITDR”) programme is a subset of business continuity planning. The programme includes planning for resumption of applications, data, hardware, communications (such as networking) and other IT infrastructure in the event of an incident disrupting IT operations. Such incidents include, for example, the loss/damage of the IT data centre, server farms or a cyber-attack disrupting the IT network.

This review considered governance of the ITDR programme, provision of the ITDR programme and maintenance and validation of the ITDR programme.

Key findings

Brent Council’s IT landscape has evolved in recent years as part of the creation of a Shared Service IT function, with the capability and scalability to provide IT services to other Council’s. The successful delivery of IT services to a broadening user base within a number of separate Councils will require a robust structure of governance and IT Disaster Recovery (DR) related risk oversight.

During the course of this review it was noted that the IT Shared Service function has undergone significant technology consolidation activity. It has also been able to demonstrate the recovery of IT services during real incidents, however given the further planned changes and expansion in service a number of areas for improvement were identified to ensure the scalability of the ITDR capability.

Three High risk, two Medium risk and one Low risk findings were identified as a result of this audit. The action points agreed by management for the high risk finding are set out below.

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p><u>Lack of Business Alignment</u></p> <p>a) We will align the recovery capability of IT services to support business defined Recovery Time Objectives (RTO) and Recovery Point Objectives (RPO) for all IT services. This will be reviewed in line with any major changes to IT services or Council organisation (minimum annually).</p> <p>b) We shall document a formalised governance process between IT and the business to i) challenge and agree the business stated recovery objectives and ii) communicate the recovery capabilities achieved for</p>	<p>All Agreed.</p> <p>a) Head of IT Infrastructure and Service Delivery b) Civic Contingency Manager</p> <p>31 December 2017</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>IT services to the business to enable informed changes to be made to business continuity plans where required (e.g. extend use of workarounds to allow greater time for IT recovery).</p>	
<p>Gaps in ITDR Planning</p> <ul style="list-style-type: none"> a) We shall determine a recovery approach based on business priorities and technical interdependencies. b) We will develop an end-to-end recovery sequence for failure modes in scope that consider co-ordination of resources, identification of technical dependencies and data restoration within recovery objectives. c) We will develop supporting technical recovery plans and procedures to support the overall ITDR co-ordination plan. d) We will ensure the individual procedures have an owner; are reviewed regularly; tested (recommended annually); and updated after any material change to the live IT environment e) Based on the recovery sequence in the ITDR plan, we shall ensure that the respective teams are aware of what procedures they need to follow, including when and how they will be notified to begin their recovery tasks. f) We will ensure resource requirements needed to execute the technical procedures are assessed and maintained and regularly reviewed. This will be reviewed in line with any major changes to IT services or Council organisation (minimum annually). g) We will complete the primary contact details, and add secondary contact details (including escalation procedures) in the ITDR plan for Council staff and third parties. 	<p>All Agreed.</p> <p>Head of IT Infrastructure and Service Delivery</p> <p>31 March 2018</p>
<p>ITDR Testing is not formally planned or monitored</p> <ul style="list-style-type: none"> a) For IT services managed by third parties, we shall review the contracts to understand their contractual obligations, review DR assurances obtained from the third parties to show compliance, close gaps where recovery obligations are not met, continuously monitor and ensure that third parties can support multiple client invocation. b) We will develop a testing approach that allows for representative 	<p>All Agreed.</p> <p>Head of IT Infrastructure and Service Delivery</p> <p>31 March 2018</p>

Recommendation	Management Response / Responsibility / Deadline for Implementation
<p>testing of end-to-end recovery. This will include;</p> <ul style="list-style-type: none"> • An agreed test schedule • For individual tests, a test plan defining approach, objectives, success factors, constraints and risks • For individual test reports, which overall success, recovery time lines, capture issues and resolutions <p>c) We will report, in line with the test schedule, test results, issues arising and associated risks</p> <p>d) We will, where other activities that demonstrate elements of the recovery (e.g. failing over as part migration, maintenance) consider documenting these as ITDR tests, in lieu of holding a specific one, if the level of IT activity (i.e. migrations due in 2017/18) not allow for the latter</p>	

2017/18 Consultancy and Non Assurance Work

Contract Management Restructuring Review – Environmental Services

In April 2017, the Council, as part of a drive to provide better services to residents, issued a staff consultation paper, 'Proposals to Restructure Environmental Services,' which focused on the contracts and contractor performance within Environmental Services ("ES" or "department") along with the appropriateness of internal management controls, working culture and ability to effect change ("Consultation Paper"). In parallel, a separate report ('Highways and Environmental Services Review – Developing an Action Plan Summary Report' or "Action Plan") built on these themes to set out a number of critical actions and next steps aimed at implementing a model for the Council's approach to Highways asset management, contract management ("CM") and area-based working. The result of the Consultation Paper and Action Plans has been the intended restructure of ES to set up of a core Contracts Management Group ("Core Group") to work alongside a new team of Local Area Officers ("Local team"), with a view of forming a more effective end-to-end contract and commercial management function across the department. This is aimed at improving the services delivered to Brent's residents and Brent having a 'best-in-class' ES team.

The objective of this review is to provide subject matter insights into the contract management restructuring process within ES at the early stages of the exercise. The aim of this is to identify potential risks, opportunities and guidance for the team as plans are developed prior to implementation.

This review has found that there are existing areas of good practice and embedded processes, within the Environmental Services CM teams, and strength in terms of CM capability that can be built on. We have also identified the following areas to strengthen, in the design of the new organisational model and the related CM plans, processes and systems, capacity and capability, clarity of roles and the governance and assurance of the project and the business-as-usual CM. Therefore, these observations should be read in the context of guidance to support the ongoing CM model redesign rather than a critique of an established function.

HR Contract Administration

Reed provide Brent Council with a 'Master Vendor Managed' service for all temporary recruitment and are responsible for managing the appointments of all temporary staff.

Reed and Brent Council monitor the number of vacancies being placed and the volume of responses received from the agencies on the supplier lists. This covers the number of offers made, interviews confirmed and CV's vetted by Reed's account coordination team.

The contract for temporary recruitment was let on 05/08/13 and ran for three years (up to 2016) with an option to extend for one year until 05/08/17. On the expiration date (05/08/17), an emergency extension

The aim of our audit was to seek to understand the reasons necessitating the emergency contract extension. The review has looked to establish whether any enhancement to the existing control environment could prevent these circumstances occurring again.

Our work suggests that the emergency extension was the result of a number of factors, including: insufficient time being planned and allocated to manage the procurement; unclear roles and responsibilities and intervention points; and an inadequate escalation of risks.

<p>to the contract for six months was obtained. This six month period expires in February 2018. The value of the extension is £6m and the value of the overall contract is £12.7m per annum.</p>	
<p>Expanded Troubled Families Programme – Certification of October 2017 Payment by Results Claim</p> <p>In April 2012, the Government launched the Troubled Families Programme: a £448 million scheme to incentivise local authorities and their partners to turn around the lives of 120,000 troubled families by May 2015. The first programme worked with families where children were not attending school, young people were committing crime, families were involved in anti-social behaviour and adults were out of work.</p> <p>In June 2013, the Government announced plans to expand the Troubled Families Programme for a further five years from 2015/16 and to reach up to an additional 400,000 families across England.</p>	<p>Certification of October 2017 Payment By Results Grant Claim</p> <p>A results based payment of £800 is offered for each family for whom the local authority claims to have either (a) achieved significant and sustained progress, or (b) moved off out of work benefits and into continuous employment.</p> <p>As with the previous programme the DCLG requires the local authority's Internal Auditor to check and verify at least a random representative sample of results for each claim before it is made. We verified a sample as required and confirmed the eligibility of the families to be included in the programme and that the results being claimed had been achieved.</p> <p>A claim for a total of 402 families was approved as a result of audit work in this area.</p>
<p>Expanded Troubled Families Programme – Certification of October 2017 Payment by Results Claim</p> <p>Details are as above.</p>	<p>Certification of December 2017 Payment by Results Grant Claim</p> <p>A claim for a total of 10 families was approved as a result of audit work in this area</p>

Follow-Up of Previously Raised Recommendations





The approach to our follow up of internal audit recommendations has changed to improve organisational effectiveness and performance. We have moved from a process of self-certification to a more robust approach of confirming the implementation of agreed recommendations by carrying out verification work on all high and medium priority recommendations. Following the completion of any additional work, a follow up action plan report will now be issued setting out which recommendations which remain outstanding. Management will then be given a deadline for updating Internal Audit on the status of the outstanding recommendations. The Audit Advisory Committee will be updated on the status of implemented and non-implemented recommendations due as part of the normal reporting arrangements.

Follow up work on 2016/17 audits will be undertaken in quarter four of 2017/18.

Appendix A – Definitions

Audit Opinions

We have four categories by which we classify internal audit assurance over the processes we examine, and these are defined as follows:

Report Classification	Level of Assurance	Definition
	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.
	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.

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Recommendation Priorities


In order to assist management in using our internal audit reports, we categorise our recommendations according to their level of priority as follows:

Critical	<p>A finding that could have a:</p> <ul style="list-style-type: none"> Critical impact on operational performance; or Critical monetary or financial statement impact; or Critical breach in laws and regulations that could result in material fines or consequences; or Critical impact on the reputation or brand of the organisation which could threaten its future viability
High	<p>A finding that could have a:</p> <ul style="list-style-type: none"> Significant impact on operational performance; or Significant monetary or financial statement impact; or Significant breach in laws and regulations resulting in significant fines and consequences; or

	Significant impact on the reputation or brand of the organisation.
Medium	A finding that could have a: Moderate impact on operational; or Moderate monetary or financial statement impact; or Moderate breach in laws and regulations resulting in fines and consequences; or Moderate impact on the reputation or brand of the organisation.
Low	A finding that could have a: Minor impact on the organisation's operational performance; or Minor monetary or financial statement impact; or Minor breach in laws and regulations with limited consequences; or Minor impact on the reputation of the organisation
Advisory	A finding that does not have a risk impact but has been raised to highlight areas of inefficiencies or good practice.

Appendix B – Audit Team and Contact Details

London Borough of Brent	Contact Details
Michael Bradley – Head of Audit & Investigations	☎ 020 8937 6526 michael.bradley@brent.gov.uk
Aina Uduehi – Audit Manager	☎ aina.uduehi@brent.gov.uk
Michael Cassel – Counter Fraud Manager	☎ 020 8937 1495 ☎ michael.cassel@brent.gov.uk
	020 8937 1265

 <p>Brent</p>	<p>Committee Name 10 January 2018</p>
	<p>Report from the Chief Finance Officer</p>
<p>Public Sector Internal Audit Standards (PSIAS) Progress Report</p>	

Wards Affected:	All
Key or Non-Key Decision:	Non-key
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	One: <ul style="list-style-type: none"> • Public Sector Internal Audit Standards Action Plan
Background Papers:	N/A
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Michael Bradley Head of Audit & Investigations Email: michael.bradley@brent.gov.uk Tel: 020 8937 6526

1.0 Purpose of the Report

1.1 The purpose of this report is to inform Members of the progress on implementing the action plan that was produced after the self-assessment of the Internal Audit service against the Public Sector Internal Audit Standards (PSIAS).

2.0 Recommendation

2.1 That the Audit Advisory Committee notes the contents of the proposed Action Plan.

3.0 Detail

3.1 The PSIAS have been in place since 1st April 2013 and replaced the former Code of Practice for Internal Audit in Local Government 2006. The standard was subject to minor revisions in April 2016.

3.2 Attribute standard 1300 – Quality Assurance and Improvement Programme (QAIP) states that: “The Chief Audit Executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.”

- 3.3 The Quality Assurance and Improvement Programme is designed to enable an evaluation of the internal audit activity's conformance with the Standards as well as an evaluation of whether internal auditors apply the Code of Ethics. The programme also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.
- 3.4 The quality assurance and improvement programme must include both internal and external assessments.
- 3.5 A checklist has been developed by the 'Relevant Internal Audit Standard Setters' to satisfy the requirements set out in PSIAS for periodic self-assessments and externally validated self-assessments as part of the Quality Assurance and Improvement Programme. It incorporates the requirements of the PSIAS as well as the Local Government Application Note (as developed by CIPFA) in order to give comprehensive coverage to both documents.
- 3.6 The Head of Audit and Investigations undertook a self-assessment in August 2017 against the checklist.
- 3.7 The assessment was that, while a majority of the requirements are met, the Internal Audit Service is not yet fully compliant with the PSIAS. The service is working towards compliance. Appendix 1 sets out an update against the actions which were planned to enable compliance with the Standards. The intention to implement these actions prior to a proposed Peer Review in spring 2018.
- 3.8 The Quality Assurance and Improvement Programme includes the requirement for an external assessment of internal audit against the PSIAS every five years (this should be completed before 31 March 2018) as defined by the Standard. Brent has yet to complete this external assessment but has taken steps to have a Peer Review undertaken in spring 2018.

4.0 Financial Implications

4.1 None

5.0 Legal Implications

5.1 None

6.0 Equality Implications

6.1 None

7.0 Consultation with Ward Members and Stakeholders

7.1 None necessary

Report sign off:

CONRAD HALL
Chief Finance Officer

PSIAS – Quality Assessment & Action Plan

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
1.2. Reporting Lines							
1.	1100	The Board reviews and approves the appointment of the Chief Audit Executive (CAE)	Partly compliant. The independent chair was part of the recruitment process but the Committee was not part of approval process.	Consideration to be given to the role of the Audit Advisory Committee in the appointment of the Chief Audit Executive (CAE).	Chief Finance Officer	If necessary, future meeting of the Audit Advisory Committee.	To be considered when next HIA recruitment exercise begins
1.3. Independence							
2.	1130	Consultancy work that internal audit may undertake is clearly defined and agreed in advance by the Audit Committee when required by the PSIAS.	Partly compliant. Not explicitly defined and no AC approval currently required. IA are actively trying to input to transformation activity in order that risk/ control issues are considered early in the process. This can be described as 'consultancy' but is not something we propose seeking AC approval on.	Consultancy work to be more explicitly defined in the Internal Audit Strategy document.	HIA	31 December 2017	Strategy Document updated accordingly – to be highlighted when strategy next reviewed by Audit Committee
1.4. Risk based plan							
3.	2010	1.4.1 A risk based internal audit plan	1.4.1 A risk-based plan was produced for	Review of council's RM framework to	HIA	31 March 2018	RM is the subject of a separate project in Q4

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		<p>has been developed which:</p> <ul style="list-style-type: none"> considers the relative risk maturity of the organisation considers the risk appetite as defined by management includes an assessment of optimal resources and skills required to deliver both the audit assurance and consultancy work, 	<p>2017/18.</p> <p>An Assurance Mapping Exercise / IT Risk Diagnostics was undertaken in 2016/17 to identify areas of highest risks.</p> <p>The risk maturity was implicitly considered for each department as part of the mapping exercise. Risk appetite has not been explicitly defined at departmental level.</p> <p>A draft Plan was circulated to CMT. Revisions have been made which will be discussed with DMTs</p>	<p>promote the development of an approach that requires a risk appetite to be defined at Departmental level as a minimum.</p> <p>DMT liaison meetings with CAE (HIA)</p>	HIA	30 th September 2017.	<p>of 2017/18. The scope of that work will include an assessment of risk maturity and consideration of risk appetite in departments</p> <p>A risk based annual plan is being prepared for 2018/19 which will be the subject of consultation with CMT and DMTs before submission to a March Audit Committee.</p> <p>The restructure of the IA team alongside effective delivery of the contracted element of the service is intended to ensure we have all the necessary skills to deliver a high quality audit plan.</p>

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		including identification of specialist skills, which may be required <ul style="list-style-type: none"> • is clearly designed to enable the CAE to deliver an annual opinion on the effectiveness of Governance, risk management and the system of control 	Compliant.	None.	N/A	N/A	The 2018/19 plan will aim to provide coverage of the key risk areas facing the council as well as coverage across departments to facilitate a meaningful opinion statement
		<ul style="list-style-type: none"> • has been approved by the Board 	Compliant.	None.	N/A	N/A	
		<ul style="list-style-type: none"> • has been promulgated to all relevant parties 	Compliant	None.	N/A	N/A	
		<ul style="list-style-type: none"> • is subject to regular review to 	Compliant	None.	N/A	N/A	

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		ensure that it remains appropriate and current					
4.	2030.	<p>1.4.2 Either the audit plan or a separate audit strategy document should:</p> <ul style="list-style-type: none"> include an assessment of risks that the audit service itself faces in delivering the plan and plans for controlling and mitigating the risks identified include consideration of if, and how, internal audit will rely on the assurance provided by other assurance providers include an 	<p>Not formally – but reviewed regularly. Work can be transferred from in-house to contractor as appropriate to address resource constraints.</p> <p>As above.</p> <p>Compliant.</p>	<p>Internal Audit risk assessment to be undertaken.</p> <p>As above</p> <p>None.</p>	<p>HIA</p> <p>As above</p> <p>N/A</p>	<p>31 December 2017</p> <p>As above.</p> <p>N/A</p>	<p>Complete - Separate risk assessment done for the Audit and Investigations teams in November 2017.</p> <p>This will be</p>

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		<p>assessment of the range of audit techniques that have been selected as the most effective for delivering the audit objectives</p> <ul style="list-style-type: none"> set out how the internal audit service will measure its performance, quality assure itself and seek continuous improvement 	<p>Partly. This is not included in the audit plan. These important elements will be refreshed after the restructure of the service is complete.</p>	<p>IA KPIs, QA and improvement strategy will be prepared and reported.</p>	HIA	31 st March 2018.	undertaken and in place for delivery of the 2018/19 plan.
Integration with Other Assurance Providers							1.5
5.		<p>The internal audit service effectively co-ordinates with appropriate assurance providers to reduce the duplication and minimise gaps in the assurance framework</p>	<p>Not compliant. Liaison with EA declined as the scope of work of EA has changed. This will be refreshed.</p>	<p>Meetings with External Audit will be initiated on a quarterly basis.</p>	HIA	30 th September 2017.	<p>Initial meeting held. A schedule of meetings will be initiated with the council's new external auditors Grant Thornton.</p>

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		Internal audit promote co-operation between internal and external audit. When auditing shared service functions consideration is given to audit work being performed by other audit services such that duplication is minimised.	No protocols are currently in place.	Arrangements to be agreed for the IT And Procurement shared services.	HIA / Head of Procurement / Head of IT	31 March 2018	IA met with LB Harrow to discuss mutual plans and arrangements for access and sharing. Upcoming audits of procurement and Transport will be first of these.
		1.5.4. When internal audit needs to work with other internal auditors from another organisation, the respective roles and responsibilities of the involved parties have been clearly defined and agreed in advance.	No current arrangements	An approach will be prepared in anticipation of this event.	HIA	31 March 2018	Has not been necessary as yet.
Structures & Resources							

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
2.2 Technical training & development							
6.	1230	All new staff receive induction training including both into the internal audit service and induction into the organisation.	2.2.1 No recent additions to Team. However Finance Trainees assigned to Team undergo Induction	An induction programme will be prepared in advance of any new members of staff post restructure.	HIA / Audit Manager	30 th October 2017.	Not yet completed – recruitment processes began in December 2017 – the training and development plans outlined in this section will be in place before new staff are on-boarded.
		Arrangements are in place to ensure that new staff receive an early assessment of their development needs and appropriate guidance, and training to address these needs.	2.2.2 Undertaken for Finance Trainees who generally have never had any internal audit experience	As above.	As above	As above	
		All internal auditors undertake Continuing Professional Development (CPD) and have a training and development plan approved by their line manager.	2.2.3 Not in place.	The T&D plan for IA staff will be prepared and monitored as part of the appraisal process	HIA / Audit Manager	31 January 2018	
		2.2.4 Audit planning includes a sufficient time provision for	2.2.4 N/A	To be included as part of arrangement for 2.2.3 above.	As above.	As above.	

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		training (including CPD) for all					
2.3 Resourcing							
7.	2030	<p>2.3.1 Internal audit is sufficiently resourced (in terms of staff and budget available) and deployed effectively to deliver the approved plan</p> <p>2.3.2 There is a recruitment strategy that sets out the recruitment standard to ensure that all staff have the appropriate intellectual qualities, personal attributes, skills, knowledge and qualifications.</p> <p>2.3.3 A succession plan exists to ensure that senior vacancies are filled</p>	<p>2.3.1 In-house and Contractor – In house resources are being reviewed as part of a restructure of the service. It is likely that additional in-house resource will be recruited.</p> <p>2.3.2 Not in place.</p> <p>2.3.3 No plans currently in place – to be addressed.</p>	<p>Audit and Investigations restructure</p> <p>To be addressed in planned restructure</p> <p>To be addressed in planned restructure</p>	<p>Head of Audit & Investigation.</p> <p>As above.</p> <p>As above.</p>	<p>31 October 2017.</p> <p>As above.</p> <p>As above.</p>	<p>The restructure process is nearing completion. A recruitment process is under way to fill relevant posts.</p> <p>The recruitment strategy is based on the job description and personal specification for each post which details skills, experience and attitude required. The interview process will be undertaken by a consistent panel of officers with experience of successful recruitment to similar posts.</p> <p>Not yet in place and not considered a priority at this stage in</p>

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		promptly by appropriately qualified staff.					service development.
2.4 Performance Management							
8.		2.4.1. appropriate personnel management and development procedures are in place within internal audit including: <ul style="list-style-type: none"> • Written job descriptions • Required competency frameworks • Recruitment procedures • Training and continuing education arrangements • Personal objectives setting and performance appraisal 	Compliant. Development plans form part of the appraisal process but are not currently in place • Required as part of the annual appraisal process but are not currently in	None. Objectives, development plans and competency framework will be addressed post restructure. As above.	N/A HIA / Audit Manager As above.	N/A 31 March 2018. As above.	Will be prepared for new staff at appropriate time. As above

Appendix 1

No	PSIAS Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
			place				
Audit Execution							
3.1 Management of the internal audit service							
9.	2040	The CAE has established policies and procedures (typically in the form of a manual) to guide the internal audit activity.	No complete manual is in place although procedural protocols are in operation.	Audit policies and procedures will be formalised in the form of a manual and include appropriate coverage of all the requirements in this section.	HIA	31 March 2018	Not yet started.
		Audit methodologies have been developed and are regularly reviewed and updated to ensure they are in line with current practice.	See above.	As above	As above	As above	Some amendments to methods have been made e.g. to follow-up approach. These will be incorporated in a revised manual.
		Policies in respect of document confidentiality, retention requirements and the release to internal and external parties have been developed and are	See above	As above	As above	As above	Not yet started.

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No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		<p>consistent with the organisation's guidelines and any pertinent regulatory or other requirements.</p> <p>Quality assurance procedures are defined and cover all aspects of the internal audit activity including: Supervision and review.</p>	See above.	As above.	As above	As above	Not yet started
		<p>QA procedures and checklists including periodic internal quality reviews Compliance with applicable laws, regulations and government or industry standards Auditee / customer satisfaction surveys Periodic self-assessments against the PSIA's are performed and actions taken to</p>	Non-compliant	<p>See 3.18 below. Satisfaction surveys to be reintroduced following completion of audits.</p>	HIA	See 3.1.8 below.	Satisfaction surveys have been reintroduced.
			Not undertaken previously but initiated	<p>Actions from recent self-assessment to be presented to Audit Advisory Committee. Action Plan to be prepared and</p>	N/A	N/A	Self-assessment to Audit Cttee in September 2017. Progress against action plan reported in this document.

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		address weaknesses		implemented.			
3.3 Performance of Audit work / audit delivery							
10.	2240 2320	Work programmes that will achieve the engagement objectives are developed and approved prior to use and include procedures for identifying, analysing, evaluating and documenting information during the engagement.	Compliant	None.	N/A	N/A	N/A
		Internal auditors use standard documentation to ensure that evidence and findings are adequately documented.	Partly compliant.	Contractor and In house Team to use standard documentation to record evidence and findings from audits	HIA / Audit Manager / Contract or Senior Manager	30 th September 2017	In place
		Work papers are clear, concise, and appropriately cross-referenced to work programmes so as to enable	Compliant.	None.	N/A	N/A	N/A

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		independent review and comprehension. There is evidence that internal auditors are identifying, analysing, evaluating and documenting sufficient information to support the audit conclusions and opinions.	Compliant	None.	N/A	N/A	N/A
		There is evidence to confirm that all engagements are led or supervised by suitably competent individuals.	Compliant.	None.	N/A	N/A	N/A
		Audit findings are discussed and confirmed with auditees prior to report drafting	Compliant.	None.	N/A	N/A	N/A
		Automated tools (e.g. data interrogation) are used appropriately to undertake testing as efficiently as	Partly compliant.	Internal Audit staff to be trained on use of automated tools for audit testing.	HIA / Audit Manager /Contract or	31 March 2018	Not yet started given recruitment position.

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		possible					
3.4 Reporting							
11.	2440 2500	<p>Communications are accurate, objective, clear, concise, constructive and timely.</p> <p>Audit reports convey appropriate audit scopes, limitations of scope, results, recommendations and an opinion on the adequacy of controls.</p> <p>Audit evidence is reviewed by a senior member of the audit function to ensure that the audit has been carried out in sufficient depth and to the function's quality standards prior to the audit findings being distributed to the</p>	<p>Compliant.</p> <p>Compliant.</p> <p>Compliant.</p>	<p>None.</p> <p>None.</p> <p>None.</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p>	<p>N/A</p> <p>N/A</p> <p>N/A</p>

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		auditee. Internal audit recommendations help the organisation address the risk in a way that does not create unnecessary control and the recommendations are practical.	Compliant	None	N/A	N/A	Although no specific action planned, this is a key element of every audit review and we seek feedback from clients on this specific aspect of our work.
		Draft audit reports are issued for consideration by the auditee within a reasonable, pre-agreed, timescale before they are finalised	Partly compliant.	Time management on individual audits to be improved.	Audit Manager	30 th November 2017.	Audit reports are issued at least a week in advance of an exit meeting. Emerging findings are discussed during the audit and at an end of fieldwork summary.
		Audit issues are reported to appropriate levels of management and to the Audit Committee The CAE informs the Audit Committee if he/she believes that senior management has accepted a level	Partly Compliant. Compliant.	As above. Time management on individual audits to be improved. None.	Audit Manager N/A	As above. N/A	As above N/A

Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		<p>of residual risk that may be unacceptable to the organisation.</p> <p>There is a procedure for follow-up that ensures agreed recommendations are implemented effectively or that senior management has accepted the risk of not taking action.</p>	Compliant.	None	N/A	N/A	New follow up procedure in place.
		<p>Unresolved or outstanding audit issues are reported to senior management in accordance with pre-agreed timescales and escalation procedures.</p>	Partly – currently partly self-assessment. But follow up to be more comprehensive in future.	New follow up procedures to be implemented with verification checks and additional tests on all high and medium priority recommendations.	HIA /Audit Manager	31 August 2017	New follow up procedure in place.
		<p>The CAE presents to the Board at least annually, a report of internal audit activity containing an opinion of the overall</p>	Compliant.	None.	N/A	N/A	N/A


Appendix 1

No	PSIA S Ref	PSIAS Standard	Conformance with Standard	Proposed Action	Resp. Officer	Timescale	Status
		<p>adequacy and effectiveness of the organisation's governance, risk management, and control processes.</p> <p>The annual report also states if the function conforms to the PSIA's and report any results of the QAIP</p>	Not compliant.	Annual report to include statement to the effect as to whether the internal audit function conforms to the PSIAS and results of any QAIP.	HIA	30 th June 2018	To be done

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Topic / Date	20-Sep-17	10-Jan-18	20-Mar-18
Internal Audit & Investigations			
Internal Audit Annual Report, including Annual Head of Audit Opinion			
Review Internal Audit Charter			X
Internal Audit and Investigations Progress Report	X	X	X
Draft Internal Audit Strategy & Annual Plan			X
Draft Fraud Strategy & Plan			X
Preparation for Peer Review (self-assessment; plan; peer review)	X	X	X
External Audit (KPMG)			
External Audit progress report	X	X	X
External Audit plan			X
*KPMG - Certification of grants and returns - as and when - depends what KPMG are required to audit			X
Statement of Accounts & External Auditor's Report	X		X
KPMG Annual Audit Letter		X	
Appointment of External Auditors	X		
Financial Reporting			
Treasury Management Mid-term Report	X		
Treasury Management Strategy & Annual Investment Strategy		X	
Draft Statement of Accounts			
Treasury Management Outrun Report			
*Account & Audit Regulations - only when the regulations change			
Closure of accounts planning (item requested by Chris Roberts)		X	
Governance			
To review the performance and management of I4B Holdings Ltd	X		X
Receive and agree the Annual Governance Statement	X		
Risk Management			
Risk Management Annual Review, including Risk Management Strategy		X	
Strategic Risk Register		X	
Audit Committee Effectiveness			
Review Forward Plan and Action Log	X	X	X
Hold an Annual Private Meeting between Chair of Audit and Head of Audit and Risk Management			
Determine and Deliver Training Requirements for Audit Committee Members as Required			X

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 Brent	Audit Advisory Committee 10 January 2018
	Report from the Chief Finance Officer
UPDATE - Paddington Cemetery Groundworks	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Appendix 1 is Exempt: Information relating to the financial or business affairs of any particular person (including the authority holding that information).
No. of Appendices:	One (Exempt)
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Michael Bradley Head of Audit & Investigations Email: michael.bradley@brent.gov.uk Tel: 020 8937 6526

1.0 Purpose of the Report

1.1 The purpose of this report is to update the Committee on further enquiries undertaken since the issue of an investigation report into concerns raised about landscaping works at Paddington Cemetery in 2010; specifically whether works were adequately specified and signed off as required.

2.0 Recommendation

2.1 That the Audit Advisory Committee notes the report and considers what additional work may be necessary.

3.0 Detail

3.1 This review was undertaken following concerns raised by a Councillor in an email dated 10 November 2017. The email raised concerns about contaminated waste discovered in Paddington Cemetery.

3.2 The Audit and Investigation report that was issued to the Audit Advisory Committee on 5 December 2017 concluded that procurement and certification

procedures within the Cemeteries service were inadequate at the time that work was undertaken. It recommended that management ensure that procedures within the Cemeteries Team to procure contractors and approve goods/services are urgently reviewed to ensure they meet the Council's expectations and that management consider the recommendations in the report from consultants to proportionately mitigate the soil contamination identified.

- 3.3 The report and its findings were welcomed by management who had responded as follows:

“The report concludes that procurement procedures within the Cemeteries service were inadequate at the time that work was undertaken and recommends that management ensure that procedures within the Cemeteries team to procure contractors and approve goods/services are urgently reviewed to ensure they meet the Council's expectations and that management consider the recommendations in from consultants' to proportionately mitigate the soil contamination identified.

The report and its findings have been welcomed by management who have agreed to work to ensure that any deficiencies in the Council's protocols or processes that may still apply are remedied as a matter of great urgency. The Council cemetery operation is now much changed and is out-sourced. It is anticipated that any deficiencies that led to this contamination are now no longer relevant and/or could no longer happen.

Most importantly, the Council has an obligation to give customers complete reassurance that the site can continue to be visited without concern and that it is properly remediated. That is our commitment going forward. The advice to date is that the contamination is very low risk and can be properly contained.

Work to make that happen is underway. A final report is due that will set out options for the Council to cleanse the site. We have also appointed specialist contractors to undertake burials at graves that have previously been used. That satisfies a particular commitment to families wishing to have relatives buried together.”

- 3.4 An update on the subsequent enquiries following the Audit Advisory Committee meeting on the 5 December 2017 is attached as **Appendix 1**.

4.0 Financial Implications

- 4.1 The final decision on regularising the land at the cemetery will consider costs against potential revenue.

5.0 Legal Implications

- 5.1 The Chief Legal Officer has been consulted on the preparation of the report.

6.0 Equality Implications

6.1 None.

7.0 Consultation with Ward Members and Stakeholders

7.1 None.

Report sign off:

CONRAD HALL
Chief Finance Officer

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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