



## Audit Advisory Committee

**Tuesday 5 December 2017 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:** Tom Welsh, Governance Officer  
Tel: 020 8937 6607; Email: [tom.welsh@brent.gov.uk](mailto:tom.welsh@brent.gov.uk)

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**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 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    |
|---|---------|
| <b>1 Apologies for absence and clarification of alternate members</b>   |         |
| <b>2 Declarations of interests</b><br>Members are invited to declare at this stage of the meeting, any relevant disclosable pecuniary, personal or prejudicial interests in the items on this agenda.   |         |
| <b>3 Deputations (if any)</b><br>To hear any deputations received from members of the public in accordance with Standing Order 67.  |         |
| <b>4 Minutes of the previous meeting</b><br>To approve the minutes of the previous meeting as a correct record.   | 1 - 12  |
| <b>5 Matters arising (if any)</b><br>To consider any matters arising from the minutes of the previous meeting.  |         |
| <b>6 External Audit Progress Report</b><br>The report summarises the auditing activities undertaken by KPMG in the period September 2017 to December 2017 and provides an overview of actions to be completed by the next meeting of the Audit Committee.   | 13 - 16 |
| <b>7 Annual Audit Letter 2016-2017</b><br>The Annual Audit Letter summarises the outcome from KPMG's audit work at the London Borough of Brent in relation to the 2016/17 audit year.   | 17 - 24 |
| <b>8 Brent Housing Partnership / Housing Management Transformation</b><br>The paper provides an update on the progress of the BHP / Housing Management Transformation. This is to assist the committee in taking on the functions that were carried out by BHP's Audit Committee by providing them with background to key current issues in housing management. | 25 - 28 |

**Ward Affected:**  
All Wards

**Contact Officer:** Minesh Patel, Head of Finance  
Tel: 020 8937 4043  
Email: [minesh.patel@brent.gov.uk](mailto:minesh.patel@brent.gov.uk)

**9 Brent Housing Partnership - Summary of Audits Reports Issued 1 April 2016 to 31 August 2017** 29 - 36

The report provides a summary of internal audit reports issued to the Brent Housing Partnership Audit Committee during the period from 1 April 2016 to 31 August 2017.

**Ward Affected:**  
All Wards

**Contact Officer:** Michael Bradley, Head of Audit and Investigations  
Tel: 020 8937 6526  
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**10 Anti-Fraud and Bribery Policy 2017** 37 - 58

The paper informs Members and seeks approval of the new Anti-Fraud and Bribery Policy. The policy has been brought up to date to reflect the fraud risks, legislation and working practices currently applicable in Brent.

**Ward Affected:**  
All Wards

**Contact Officer:** Michael Bradley, Head of Audit and Investigations  
Tel: 020 8937 6526  
Email: [michael.bradley@brent.gov.uk](mailto:michael.bradley@brent.gov.uk)

**11 Anti-Money Laundering Policy 2017** 59 - 72

The report is to inform Members and seeks approval to implement the new Anti-Money Laundering Policy. This policy sets out effective measures to ensure Brent is compliant with relevant legislation and protects itself from money laundering.

**Ward Affected:**  
All Wards

**Contact Officer:** Michael Bradley, Head of Audit and Investigations  
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**12 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:** To be confirmed



- Please remember to **SWITCH OFF** your mobile phone during the meeting.
- The meeting room is accessible by lift and seats will be provided for members of the public.



## LONDON BOROUGH OF BRENT

### MINUTES OF THE AUDIT ADVISORY COMMITTEE Wednesday 20 September 2017 at 6.30 pm

**PRESENT:** Mr David Ewart (Chair), Mr Eugene Sullivan (Independent Member) and Councillors A Choudry (Vice-Chair), Davidson and McLeish

**ALSO PRESENT:** Councillors Choudhary, Crane and McLennan

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

Apologies for absence were received from Councillors Naheerathan and Nerva (with Councillor McLeish substituting).

2. **Declarations of Personal and Prejudicial Interests**

David Ewart declared that he had worked together with Martin Smith, Chair of I4B Holdings Limited, at the London Borough of Ealing.

*Councillor McLeish entered the meeting at 6:34 pm.*

3. **Deputations**

There were no deputations received.

4. **Minutes of the previous meeting**

**RESOLVED** that the minutes of the previous meeting, held on 26 June 2017, be approved as an accurate record of the meeting.

5. **Matters arising**

(i) ***Planning Applications Audit Report***

Conrad Hall confirmed that he would provide an update on the issue who had switched the System Audit Trial controls off and whether these had been turned on when the supplier had released the software to Brent Council by the Friday 22 September.

(ii) ***Draft Risk Management Strategy 2017-2019 and Strategic Risk Register***

It was noted that an update on the Strategic Risk Register would be presented at a future meeting of the Audit Advisory Committee.

## 6. **Update on mobilisation and initial operation of I4B Holdings Ltd**

Conrad Hall (the Council's Chief Finance Officer) introduced Mr Martin Smith, Chair of I4B Holdings Ltd, and provided background information about the company. Mr Hall pointed out that I4B Holdings Ltd (I4B) was an investment company wholly owned by the Council, which was a distinct legal entity with its own Board of Directors. He reminded Members that it was in the remit of the Audit Advisory Committee to scrutinise I4B's financial models and forecasts and to consider governance matters that may arise.

Martin Smith presented the paper and said he would focus on four key areas – the degree to which the company was fulfilling its aims; finance; governance; and next steps.

### *Delivery against the company's original objectives*

Mr Smith said that I4B was delivering against its aims – it was buying the right type of properties, it was a responsible landlord which provided good quality accommodation and it generated revenue for the Council. Setting up the necessary banking arrangements for the new entity was difficult and this had delayed the purchasing of properties to build the company's portfolio. Moreover, as it had been challenging to purchase a large number of properties in a short period of time and to refurbish them at the right pace, the aim of providing 300 units in 24 months might be achieved over 30 months. The Council had purchased properties on behalf of the Company which helped generate momentum. Mr Smith noted that the properties acquired so far deviated from the allocations in the Business Plan (Brent – 40%; Greater London – 10 %; Home Counties 50%), but it was expected that this would be rectified.

### *Finance*

The Committee heard that the company had to generate net income through rent to pay its costs. Using the data gathered from the acquisition of 52 units, the financial model predicted that property purchase and acquisition costs for 300 properties would exceed the agreed funding limit of £100 million and there would be deviation from the preferred locations reflected in the original assumption. For example, there would be underachievement of properties in Brent and Greater London, with a surplus in other areas.

### *Governance*

Mr Smith noted that the company had virtual infrastructure, with Service Level Agreements (SLAs) with Brent Council in place to allow council staff to complete work for I4B. Moreover, the company utilised the Council's Oracle system and shared a ledger with the Council. The advantage of such an arrangement had been that the company could use the Council's set of controls and avoided potential tension between the company and the shareholder. This had made it necessary to ensure that there was a clear distinction between decisions taken by the company and by the Council in its role as a stakeholder. Mr Smith emphasised that the primary objective of I4B was to reduce the number of households in temporary accommodation and the secondary objective was to increase the supply of affordable housing.

### Next steps

The company would continue buying properties until the target of 300 was reached. In addition, it had explored a number of opportunities which could complement its landlord role, strengthen its Business Plan and deliver more benefits for the Borough. Councillor George Crane (one of the company's Directors) added that the I4B Directors were in a process of reviewing the Business Plan which they had inherited in the form it had been agreed by Cabinet. He referred to section 7 of the report (pages 25-26 to the Agenda pack) and highlighted that there were a number of opportunities for I4B to move forward.

A member of the Committee asked a question that related to the contingencies that had been put in place to mitigate losses if tenants were not able to pay their rents. Mr Smith explained that the rent charged by the company would be equal to the local housing allowance level. In addition, an allowance had been made for loss of income, but it had not been possible to test it as there had not been any properties which had experienced this. In the event of change of the interest rate, Mr Smith said that the governance arrangements that had been put in place would be applied – as I4B was a borrower from the Council at a fixed rate, changes in the interest rate would not be detrimental to the local authority. Mr Hall added that interest rates would be monitored and said that these were expected to raise sooner than previously forecasted. He advised the Committee that the overall Treasury Strategy ensured that the Council's accounts were balanced, but pointed out that the Council was more likely to enter into borrowing arrangements in the next 18 months in which case changes in interest rates would affect Brent's position.

A Councillor who was attending the meeting as a member of the public referred to paragraphs 5.8 and 5.9 of the report (pages 22 and 23 to the Agenda pack) and questioned the way properties would be distributed. In response, Mr Smith said that the company had to start buying units as soon as possible. The main criterion which had been taken into account was whether a property was worth buying. He explained that for the yield that had been estimated, it was not possible to find any properties in the borough so other areas had been considered. The yield had been balanced in such a way that low yield properties in Brent were balanced by high-yield properties outside the borough. Mr Smith estimated that once the company's portfolio had been completed, the division of properties would be expected to match the original Business Plan. Peter Gadsdon (the Council's Director of Performance, Policy and Partnerships and one of the I4B's Directors) seconded this view and said that the Directors were confident that they could manage the process in such a way that the company would acquire more properties in Brent than anticipated. The Committee heard that the Directors hoped that in the longer term the portfolio of I4B would be worth more than what it had been spent on it. It was highlighted that the company did not aim to make significant profit and that any revenue savings would belong to the Council.

Mr Sullivan commented that the Audit Advisory Committee had been tasked with giving assurance to the Cabinet and noted that the Committee had to be sure that the elements were in place for it to discharge its duty. He said that although the report was very informative, the contents were more suitable for a meeting of the Council Management Team (CMT) or the Housing Scrutiny Committee. He stressed the importance of internal audit and requested that information on Key Performance

Indicators (KPIs) and risks was included in future reports. The Chair reminded Members that the Committee had the right to request the company to be audited internally if Members considered this to be necessary, and would need to be able to rely on audits commissioned by the Company. In response, Mr Smith said I4B had commissioned internal audit provision from the Council's Internal Audit and Investigation Service (via their contracted partner –PricewaterhouseCoopers). I4B were content, once internal audit reports had been finalised that they would be shared with the stakeholder.

A Member of the Committee enquired whether the Directors present at the meeting were in agreement with the contents of the Business Plan and asked if there was anything specific they disagreed with. Mr Smith responded that the Directors accepted it, noting that it was a dynamic model that guided the company. Carolyn Downs (the Council's Chief Executive) added that the process outlined in the Business Plan could be changed to implement the lessons learned and improve the performance of the company, but amendments had to be signed by CMT and agreed by Cabinet.

**RESOLVED** that the contents of the Update on mobilisation and initial operation of I4B Holdings Ltd report, be noted.

*Councillor Davidson entered the meeting at 7:11 pm.*

*Councillor Crane left the meeting at 7:14 pm.*

## **7. Review of the Member Learning and Development Programme**

Tom Cattermole (the Council's Head of Executive and Member Services) presented the report which provided Members with a summary of the Member Development Programme and the activities carried out over the last year. Mr Cattermole drew the Committee's attention to paragraph 3.4 (pages 62-63 to the Agenda pack) which contained information about the training sessions delivered since May 2016 as well as further scheduled sessions until the end of the calendar year and invited Members to raise any questions they had.

The Chair congratulated Mr Cattermole and his team for continuing to meet the standard of the London Charter Plus for Elected Member Development which had been reconfirmed following an interim visit in October 2016. He enquired whether the programme represented good value for money. In response, Mr Cattermole said that the budget for Member training was currently £17,000 which was relatively small compared to other local authorities, but the return on investment was good in terms of feedback received, and additional money had been aside for the induction of new Members in 2018, which would be crucial given the fact that in 2014 50% of Members were newly elected.

**RESOLVED** that the contents of the Review of the Member Learning and Development Programme report, be noted.

## **8. External Audit Progress Report**

Andrew Sayers (Partner at KPMG) presented the report which summarised the audit activities undertaken by KPMG in the period June 2017 to September 2017 (page 70 to the Agenda pack). The Committee heard that KPMG had issued five



separate provisional view letters, along with material documents KPMG relied upon, on the objections relating to the payment made to the former Human Resources Director. Mr Sayers said that KPMG had received responses from the electors and the Council which had been reviewed along with any additional information provided. Moreover, KPMG had received from Brent Council initial evidence for the processes and controls in place for one of the LOBO loans. This was examined to determine if the type and level of detail provided would be sufficient, before the Council used resources to locate evidence for the other loans.

Members of the Committee asked questions that related to the additional fees incurred by the investigation of the six objections to the 2015/2016 accounts. Mr Sayers said that the fees up to date were approximately £12,000 and said that the figure could change depending on future work carried out in relation to the objections. In response to a request for more details about the work undertaken, Mr Sayers explained that the fee depended on the time it took KPMG to examine various pieces of information, such as documents provided by the objectors. He emphasised that failure to do so could result in the company being taken for a judicial review. A Member of the Committee enquired from which budget the additional fee would be paid and Conrad Hall (the Council's Chief Finance Officer) explained that although this was not clear at this stage, fees were usually covered by the corporate budget rather than by a particular service.

Committee Members, including the Independent Member, questioned the length of time it had taken to examine the objections. Mr Sayers explained that there had been a lot of correspondence with the objectors and reminded the Committee that there had been discussions about the documents that could be shared with them. In addition, there had been periods of inactivity when the auditor had to wait for information to be provided. Mr Sayers assured Members that an account of the time it had taken to investigate the objection would be provided.

The Chair encouraged KPMG to continue with the investigation into the objections as soon as possible.

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

## **9. Statement of Accounts 2016/17 and External Auditor's Report**

Conrad Hall (the Council's Chief Finance Officer) reminded Members that the Statement of Accounts had been presented to the Audit Advisory Committee at the meeting on 26 June 2017. He informed the Committee that amendments had been identified and the necessary adjustments had been made which had not led the Council and the external auditor to change their view of Brent's financial position. Andrew Sayers (Partner at KPMG) said that based on the current position KPMG intended to give unqualified opinions on the Council and Pension Fund accounts and a clear value for money conclusion. There had been no unadjusted audit differences, but there had been two adjusted audit differences and one adjustment relating to an update of an estimate which had been made when preparing the accounts. Mr Sayers drew Members' attention to pages 9 and 10 to the Agenda pack which outlined the work KPMG had done in response to areas of significant risk. One objection to the 2016/2017 accounts had been received, KPMG had completed some initial enquires and would be deciding whether they would accept the objection. Moreover, KPMG had not identified any significant value for money

risks but had identified financial resilience as an area for audit focus. Mr Sayers said that KPMG had considered the level of prudence in key judgements in Brent's financial statements and these had been classified as 'balanced' (pages 88 and 89 to the Agenda pack).

Mr Sayers highlighted that KPMG was independent from Brent Council and commented that the representation letter (pages 105-111 to the Agenda pack) was broadly standard and that a similar letter had been presented to the Audit Committee in September 2016.

Members of the Committee asked questions that related to the level of reserves and whether they were adequate. In response, Mr Sayers said that he was comfortable with the level of Brent's reserves and he would have brought any concerns to the Committee's attention. Mr Hall added that in his view the level of the unallocated general reserve was sufficient and noted that the Council had a good record of staying within its budget and using its reserves sensibly. A Member enquired why Section 106 balances were shown as the same at the end of 2015/2016 as at the end of 2016/2017. In response, Benjamin Ainsworth (the Council's Finance Manager – Capital) said that he would be able to provide an explanation outside the formal meeting which would be circulated to the Committee.

The Chair thanked KPMG and Mr Ainsworth and his team for their work on the Statement of Accounts.

**RESOLVED that:**

- (i) The contents of the Statement of Account 2016/17 and External Auditor's Report, be noted; and
- (ii) The Audit Committee be recommended to:
  - o Approve the statement of accounts
  - o Approve the letter of representation to KPMG

**10. 2017/18 Mid-Year Treasury Report**

Sawan Shah (Finance Analyst – Treasury at Brent Council) presented the report which provided updates on recent treasury management activity. He said that growth in the UK economy had slowed in 2017 in comparison with both the US and Eurozone (0.6% compared to 0.3% respectively). Brexit remained one of the biggest uncertainties for the economy, with consumer spending being weakened by the effects of inflation. The Bank of England had decided to keep the interest rates at 0.25% and Mr Shah pointed out that the interest rate the Council received on money market funds had fallen since the previous report and 12-month maturities with local authorities had fallen from 0.6% to 0.4%. In relation to borrowing, he noted that the Council was in a stable borrowing position with no short-term borrowing and a decrease of long-term borrowing. However, Mr Shah referred to the Council's cash balance graph on page 117 to the Agenda and said towards the end of 2018, the Council would be borrowing.

Only £0.2 million of the original £10 million Icelandic Bank deposit remained outstanding and there had been a £7 million upward movement in short-term investments which was lower compared to the same period last year. Spending on

housing had a significant impact on Brent's cash flows with over £25 million spent to date.

A Member of the Committee asked why the Council was not in a position to pay off loans quicker. Mr Shah explained that the persistence of low interest rates meant that it would be uneconomic to reschedule debt. He gave an example with the Council's most expensive loan of £3.05 million at a rate of approximately 9%. Repaying it earlier would cost £0.935 which would incur a 30% premium on the value of the loan. In relation to a question about the Council's cash reserves, Mr Shah said that the local authority was required to keep a certain level of cash so suppliers could be paid on a day-to-day basis.

The Independent Member thanked Mr Shah for the report and asked how long Arlingclose had been advising the Council for and what the authority future intentions were. Conrad Hall (the Council's Chief Finance Officer) said that Arlingclose had been advising Brent for approximately eight years with their contract expired in March 2018. Mr Hall said that the contract would go for tendering and an update would be provided in the next couple of months.

**RESOLVED:**

- (i) The contents of the 2017/18 Mid-Year Treasury Report, be noted;
- (ii) The 2017/18 Mid-Year Treasury Report be forwarded to the Cabinet and Council for their consideration.

**11. Public Sector Audit Appointments Consultation on Auditor Appointment from 2018/19**

Conrad Hall (the Council's Chief Finance Officer) reminded the Committee that Full Council decided in January 2017 to accept the Public Sector Audit Appointments' (PSAA) invitation to 'opt in' to the appointment of external auditors for five financial years commencing 1 April 2018. He said that PSAA had produced provisional allocations of auditors to authorities and were consulting on these allocations. The Committee heard that the provisional allocation for Brent Council was Grant Thornton (UK) LLP and the deadline for receiving comments or objections was 22 September. Mr Hall noted that his advice would be endorse the appointment.

There were no further comments and it was **RESOLVED that** the Chief Finance Officer's positive response to the PSAA Consultation be noted and endorsed.

**12. Capital Programme Update**

Althea Loderick (the Council's Strategic Director of Resources) introduced the report which reviewed the delivery of the Capital Programme and outlined the changes that had been made to improve performance, forecasting and governance. Ms Loderick said that it was fair to acknowledge that there had been a significant underspend in the previous two years. She informed Members that a number of pieces of work had been undertaken to keep the Capital Programme on track and reduce underspending. The Programme Management Office (PMO), including the Capital Programme, had moved to the Capital Finance Team which had enabled the undertaking of more realistic profiling for future years, leading to reducing underspending in the current forecast. Ms Loderick noted that the focus had been

shifted to enabling Procurement, Project Management and Planning to work closely with each other so schemes could be expedited if necessary.

The Independent Member commented on the 2017-2018 Forecast for the Housing Care Investment Board and the Schools Programme Board (page 128 to the Agenda pack) and said that he was satisfied with the figures as long as managers were comfortable with the forecast. Gareth Robinson (the Council's Head of Finance – Accountancy) explained that the Cabinet set the budget which had to be approved by Full Council. He said that due to the fact that there were multiple projects on the Capital Programme, there was some flexibility of spending as areas of underspending could compensate for areas of overspending. In addition, sometimes it was possible for an expenditure to be incurred earlier than planned but this had to be authorised by a Strategic Director. Ms Loderick added that any requests were scrutinised by the Council Programme Board which was chaired by her. She emphasised that changes to the Programme were done lightly and they had to fit its budget.

It was **RESOLVED** that the contents of the Capital Programme Update report, be noted.

**13. Internal Audit and Counter Fraud Progress Report for the period 1 April - 31 August 2017**

Michael Bradley (the Council's Head of Audit and Investigations) presented the paper which provided an update on the progress against the internal audit plan for the period 1 April 2017 to 31 August 2017. Mr Bradley said that ten reports from the 2016/2017 audit plan had been finalised since the last meeting of the Committee. Four had 'reasonable' assurance; three had 'limited' assurance; and the remaining three had 'no assurance' reviews. Mr Bradley noted that detailed information was available in Appendix 1 (page 144 to the Agenda pack). In relation to the 2017/2018 audit plan, Mr Bradley noted that work had commenced on eleven out of the sixty-two audit projects. He reminded the Committee that the audit plan was a flexible document which was adapted to meet changing risks – for instance, some audit projects had been removed while others had been added since the plan was agreed by the Committee. Moreover, there were items which had been deferred or amalgamated. The Chair prompted Members to express disagreement with any of the changes that had been made, but no comments were made.

Mr Bradley drew the Committee's attention to page 137 to the Agenda pack which provided information on follow up of 2015/2016 and 2016/2017 audit recommendations. Members heard that there were 11 Priority 2 recommendations in 2015/2016 which had not been implemented. Mr Bradley stated that the approach to follow up audits had changed for 2017/2018, with Internal Audit carrying out follow up work to determine the extent to which agreed high- and medium-priority recommendations had been implemented by management. The Chair commented that he liked the new approach and this view was shared by Members.

Mr Bradley expressed concern that although less internal fraud referrals had been received, this did not mean that levels of fraud had decreased. He said that measures would be taken to address this, which was welcomed by Members. In response to a question about the reason for the doubling of the 'other positive

outcome' fraud under Internal Fraud (table 8 on page 139 to the Agenda pack), Mr Bradley said this was due to the good work carried out by the investigations team.

There were no further questions and it was **RESOLVED that** the progress made in delivering the 2017/2018 Internal Audit Plan and the counter fraud work in the period 1 April – 31 August 2017, be noted.

#### 14. **Public Sector Internal Audit Standards (PSIAS) Action Plan**

Michael Bradley (the Council's Head of Audit and Investigations) introduced the report which informed Members of the result of the self-assessment of the Internal Audit Service against the Public Sector Internal Audit Standards (PSIAS). He said that he had undertaken a self-assessment in August 2017 against a checklist that had been developed by the 'Relevant Internal Audit Standard Setters' and incorporated the requirements of the PSIAS as well as the Local Government Association Note (as developed by the Chartered Institute of Public Finance and Accountancy).

Mr Bradley highlighted that while a majority of the requirements were met, the Internal Audit Service was not yet fully compliant with the PSIAS and said that Appendix 1 (page 163 to the Agenda pack) outlined the actions that would be taken to rectify this prior to the Peer Review in the spring of 2018. Mr Bradley explained that the spring of 2018 was a good time to have a Peer Review as the Service was undergoing a restructure at present. In Mr Bradley's opinion, some of the areas that required examination were the Service's work arrangements, the way it connected with the rest of the Council and the way risk was perceived.

The Independent Member commented that the Quality Assessment and Action Plan would ensure that the performance of the Service met Mr Bradley's standards. There were no further contributions and it **RESOLVED that** the contents of the proposed Action Plan, be noted.

#### 15. **Fire Servicing, Maintenance and Responsive Repairs of Fire Installations (Brent Housing Partnership) - Follow of Implementation of Recommendations**

Michael Bradley (the Council's Head of Audit and Investigations) said that the update on the status update on the implementation of the recommendations in the 2015/2016 internal audit report on 'Fire Servicing, Maintenance and Responsive Repairs of Fire Installations' had been requested by Members at the meeting in June 2017. He informed Members that out of the sixteen recommendations included in the 2015/2016 paper, ten had been fully implemented, one had been partially implemented and one had not been applicable as no action had to be taken to address it. The Committee heard that outstanding actions were listed in Appendix A (page 181 to the Agenda pack) and management had indicated that the respective recommendations would be implemented by the end of October 2017.

A Member of the Committee spoke about a report in the media on the roof of a ten-storey building which was not been compliant with fire safety regulations and enquired if the Council had been aware of it. Carolyn Downs (the Council's Chief Executive) said that attempts had been made to get in touch with the reporter, but these were not successful. She said that there were concerns about the cladding and insulation of a building, but all occupants had been notified and 24-hour cover

of public areas in the building had been provided. In relation to Brent Housing Partnership's (BHP) tower blocks, Ms Downs informed the Committee that risk assessments had been carried out for all buildings. Fire experts had been re-commissioned to re-assess the tower blocks and they had confirmed that all buildings were compliant with fire safety regulations. She highlighted that there had been issues with funding for improvement works as if buildings met the requirements and the local authority wanted to implement further measures, it was its responsibility to cover the cost of the works. Ms Downs said that the Leader and she had written to the Secretary of State, but they had not received a response.

The Committee noted its appreciation for the work of Peter Gadsdon (the Council's Director of Performance, Policy and Partnerships) and his team and their engagement in the Brent Connects forums.

It was **RESOLVED that** the contents of the Fire Servicing, Maintenance and Responsive Repairs of Fire Installations (Brent Housing Partnership) - Follow up of Implementation of Recommendations report, be noted.

#### 16. **Review of the Frequency of Audit Advisory Committee Meetings**

David Ewart (the Committee's Independent Chair) addressed the Committee suggesting that it would be beneficial if the number of meetings was increased to reflect the additional workload for the Committee as a result of the transfer of the housing management service back in-house and the creation of I4B Holdings Ltd (an investment company wholly owned by the Council). He recommended that the Committee agreed to increase the number of its meetings by up to two, with one of the additional meetings taking place prior to the next scheduled meeting in January 2018 (subject to compliance with the Annual Calendar of Meetings).

##### **RESOLVED that:**

- (i) An additional meeting of the Audit Advisory Committee be scheduled to take place between October 2017 and January 2018, subject to compliance with the Annual Calendar of Meetings;
- (ii) The Governance Officer supporting the Committee, be authorised to organise a meeting as outlined in (i); and
- (iii) Provisions be made for up to two additional meetings to be scheduled in the 2018/2019 Annual Calendar of Meetings.

#### 17. **Audit Advisory Committee Forward Plan**

The Committee noted that the Audit Advisory Committee Forward Plan would need to be amended to reflect the new accounting regulations coming into force in 2018.

##### **RESOLVED:**

- (i) Audit Advisory Committee Forward Plan be noted; and
- (ii) Audit Advisory Committee Forward Plan be revised by the Chief Finance Officer, the Head of Audit and Investigation and the Governance Officer supporting the Committee to reflect:

- The scheduling of an additional meeting as resolved under item 16 of this document
- The changes to accounting legislation due to come into force in 2018.

18. **Any other urgent business**

None.

The meeting closed at 8.36 pm

DAVID EWART  
Chair

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# External audit update report

London Borough of Brent  
External audit 2017-18

5 December 2017

# External Audit Progress Report

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

- Signed our unqualified audit opinion and VFM conclusion on 29 September 2017;
- Issued our consistency opinion on the Council's Whole of Government Accounts;
- Issued our opinion on the Pension Fund Annual Report;
- Prepared our Annual Audit Letter, which is attached to this report, for publication on the Council's website;
- Completed the work on the Housing Benefit Subsidy claim and Teachers' Pension Return which we are expecting to certify by 30 November 2017. We will update the Audit Committee at the meeting on these claims and report back the findings in detail to the January 2018 Audit Committee.
- Drafted our statement of reasons on the objection relating to the payment made to the former Human Resources Director and associated matters, having taken legal advice, and submitted it to our Regulator, PSAA, for any comments.
- Reviewed the details provided for one of the LOBO loans and written to the Council asking for additional information and then similar information for the other loans; and
- Held initial discussions with officers on the 2017/18 audit.

Ahead of the next meeting of the Audit Committee on 10 January 2018 we will...

- Complete the audit of the pooling of housing capital receipts return and issue our grants report which we will present to the next Audit Committee;
- Issued our statement of reasons on the objection relating to the payment made to the former Human Resources Director and associated matters: and
- Complete our planning for 2017/18, agree our draft audit plan with officers and present it for approval at the Audit Committee.

We ask the Audit Committee to:

- **NOTE** this progress report.

|          |   |   |
|----------|---|---|
| Contacts | <b>Andy Sayers</b><br><i>Partner</i><br>020 7694 8981<br><a href="mailto:Andrew.sayers@kpmg.co.uk">Andrew.sayers@kpmg.co.uk</a> | <b>Steve Lucas</b><br><i>Senior Manager</i><br>07825 008824<br>Stephen.lucas@kpmg.co.uk |
|          |   |   |



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# Annual Audit Letter 2016/17

Page 17

London Borough of Brent

—

October 2017



Agenda Item 7

# Contents

The contacts at KPMG  
in connection with this  
report are:

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Senior Manager, KPMG LLP

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Page

## Report

|             |   |
|-------------|---|
| — Headlines | 3 |
|-------------|---|

## Appendices

|                              |   |
|------------------------------|---|
| 1. Summary of reports issues | 5 |
| 2. Audit fees                | 6 |

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. Public Sector Audit Appointments 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 Public Sector Audit Appointment's website ([www.psaa.co.uk](http://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 Andy 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 ([andrew.sayers@kpmg.co.uk](mailto: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](mailto: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.

This Annual Audit Letter summarises the outcome from our audit work at the London Borough of Brent in relation to the 2016/17 audit year.

Although it is addressed to Members of the Authority, it is also intended to communicate these key messages to key external stakeholders, including members of the public, and will be placed on the Authority's website.

|                                   |  |
|-----------------------------------|--|
| <b>VFM conclusion</b>             | <p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2016/17 on 29 September 2017. This means we are satisfied that during the year the Authority had appropriate arrangements for securing economy, efficiency and effectiveness in the use of its resources.</p> <p>To arrive at our conclusion we looked at the Authority's arrangements to make informed decision making, sustainable resource deployment and working with partners and third parties.</p>  |
| <b>VFM risk areas</b>             | <p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>We focused our work on the Authority's financial resilience The Authority's outturn for 2016/17 showed that it achieved budget overall with overspends in Community Wellbeing (£3.2m), Children and Young People (£2.3m) and Resources (£2.1m) being matched with underspends in Regeneration and Environment (£4m) and Central items (£3.6m). The Authority also increased its earmarked revenue reserves by £1.3m to £143.7m.</p> <p>The Authority takes a long term approach to financial planning ensuring that savings required are identified in advance. The Medium Term Financial Plan covering 2017/18 to 2019/20 was updated and reported to Cabinet three times during the 2016/17 year, the final one recommended the 2017/18 budget to the full Council. The budget included £14.7m of cost pressures, mainly through increased demand or inflation with in year savings of £19.8m required, all of which had been identified.</p> <p>The Medium Term Financial Plan presented as part of 2017/18 budget approval process had already identified sufficient savings to deliver a balanced budget for 2018/19 based upon current assumptions and identified a potential budget gap of £12m for 2019/20. By planning in advance, this gives the Authority time to clearly assess options for resolving the gap and ensuring the plans to deliver it are robust and deliverable.</p> |
| <b>Audit opinion</b>              | <p>We issued an unqualified opinion on the Authority's financial statements on 29 September 2017. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year. The financial statements also include those of the pension fund.</p>  |
| <b>Financial statements audit</b> | <p>We received draft financial statements on 19 June 2017, nearly two weeks in advance of the statutory deadline. The statutory deadline for publishing the draft financial statements is being brought forwards in 2017/18 to 31 May 2018, with an audit deadline of 31 July 2018 and the Authority will need to build upon the work completed this year to ensure the deadline is met. We are aware that officers have already started planning for the year end closedown, identifying how processes can be brought forwards, while maintaining quality.</p> <p>There were two non material audit adjustments and the Authority updated its valuation of Council dwellings and PFI dwellings as more accurate information on house price movements in the borough became available after the financial statements had been prepared.</p>  |



## Headlines (cont)

We have not yet issued our audit certificate to confirm the completion of our audit responsibilities for the 2016/17 audit year due to an objections from local electors relating to 2015/16.

|  |  |
|--|--|
| <b>Other information accompanying the financial statements</b> | Whilst not explicitly covered by our audit opinion, we review other information that accompanies the financial statements to consider its material consistency with the audited accounts. This year we reviewed the Annual Governance Statement and Narrative Report. We concluded that they were consistent with our understanding and did not identify any issues.     |
| <b>Pension fund audit</b>                                      | There were no significant issues arising from our audit of the pension fund and we issued an unqualified opinion on the pension fund financial statements as part of our audit report. We also issued an unqualified audit opinion on your Pension Fund Annual Report on 29 September 2017.  |
| <b>Whole of Government Accounts</b>                            | We reviewed the consolidation pack which the Authority prepared to support the production of Whole of Government Accounts by HM Treasury. We reported on 29 September 2017, in line with the timetable, that the Authority's pack was consistent with the audited financial statements.  |
| <b>High priority recommendations</b>                           | We did not raise any high priority recommendations as a result of our 2016/17 audit work. We did make one recommendation to strengthen the controls around ensuring that accurate pension data is available to supply to actuaries and individual members when required.<br><br>We are pleased to note the two recommendations we made in 2015/16 have been implemented. |
| <b>Certificate</b>   | We have six objections to the Authority's 2015/16 financial statements which we are currently reviewing. This means that we are not yet able to issue our audit certificate.   |
| <b>Audit fee</b>   | Our audit fee for 2016/17 was £199,590 (2015/16: £199,590) excluding VAT which was in line with the planned fee. Our fee for the Pension Fund was £21,000 (2015/16: £21,000) excluding VAT and was also in line with the planned fee.<br><br>Further detail is contained in Appendix 2.  |

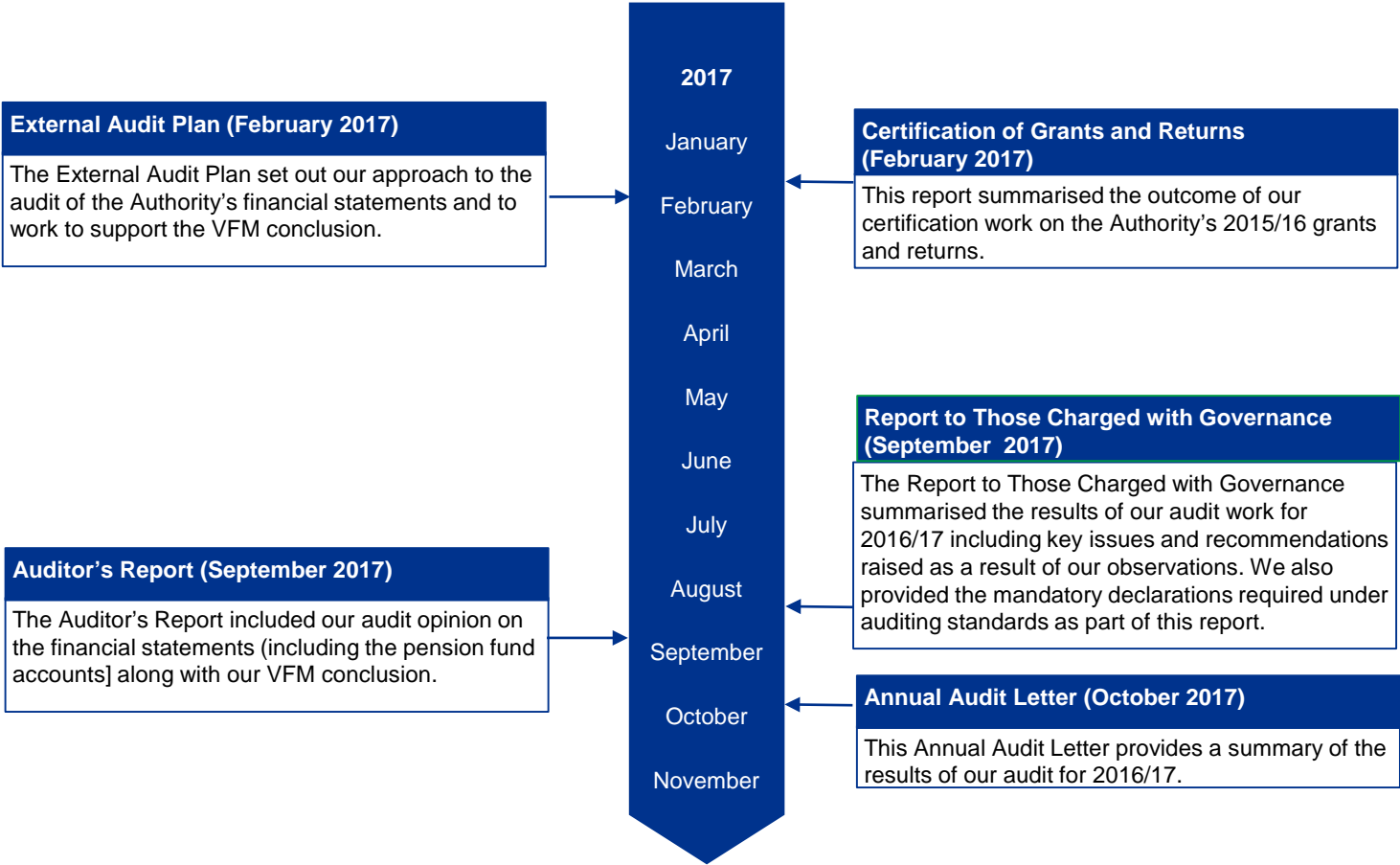


# Appendix 1: Summary of reports issued

This appendix summarises the reports we issued since our last Annual Audit Letter.

These reports can be accessed via the Audit Committee pages on the Authority's website at [www.brent.gov.uk](http://www.brent.gov.uk).

Page 21



# Appendix 2: Audit fees

This appendix provides information on our final fees for the 2016/17 audit.

Page 22

To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2016/17 planned audit fee.

External audit

Our final fee for the 2016/17 audit of the Authority was £199,590 and of the Pension Fund was £21,000, both of which are in line with the planned fee.

In respect of the 2015/16 external audit fee, we received six objections. Work undertaken on these is outside of the planned audit fee and additional fees relating to the work undertaken on the objections will be agreed with both the Chief Finance Officer and PSAA. These additional fees have not been included in the attached chart as the work is still in progress and haven't been agreed yet.

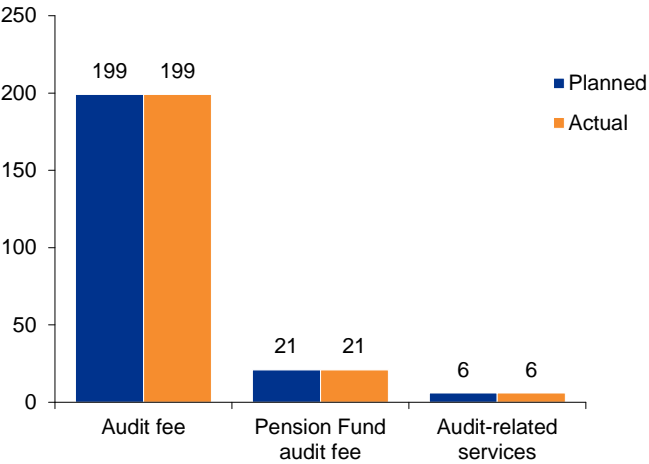
Certification of grants and returns

Under our terms of engagement with Public Sector Audit Appointments we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in December 2017.

Other services

We charged £6,500 for additional audit-related services for the certification of the Teachers' Pension Return and Pooling of Housing Capital Receipts Return which are outside of the Public Sector Audit Appointment's certification regime.

External audit fees 2016/17 (£'000)





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|---|--|
| <br><b>Brent</b> | <b>Audit Advisory Committee</b><br>5 December 2017                   |
|   | <b>Report from the Strategic Director<br/>of Community Wellbeing</b> |
| <b>Brent Housing Partnership / Housing Management<br/>Transformation</b>                          |  |

|   |  |
|---|--|
| <b>Wards Affected:</b>  | N/A  |
| <b>Key or Non-Key Decision:</b>   | N/A  |
| <b>Open or Part/Fully Exempt:</b><br><small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small> | Open   |
| <b>No. of Appendices:</b>   | None   |
| <b>Background Papers:</b>   | N/A  |
| <b>Contact Officer(s):</b><br><small>(Name, Title, Contact Details)</small>   | Minesh Patel, Head of Finance<br>Tel: 020 8937 4043<br>Email: <a href="mailto:minesh.patel@brent.gov.uk">minesh.patel@brent.gov.uk</a> |

## 1.0 Purpose of the Report

- 1.1 On 24 April 2017, Cabinet took a decision to end the management agreement with Brent Housing Partnership (BHP), and bring housing management services back under direct control of the Council.
- 1.2 This paper aims to give an update on the progress of the BHP/Housing Management Transformation. This is to assist the committee in taking on the functions that were carried out by BHP's Audit Committee by providing them with background to key current issues in housing management. It sits alongside another report on this agenda which summarises recent audit reports to the former BHP Audit Committee.

## **2.0 Recommendation**

2.1 For the Audit Advisory Committee to note the report.

## **3.0 Detail**

### **Housing Management Transformation:**

- 3.1 The Housing Management Transformation board was jointly formed of officers from Brent Council, and from Brent Housing Partnership (BHP), in order to oversee the transformation of the Housing Management function provided to Brent Council Tenants and Leaseholders. The Board was also responsible for overseeing the integration of Housing Management Functions from BHP to the Council's core operations.
- 3.2 The aims of the Housing management transformation are:
- To produce a new operating model which is fit for purpose and fit for the future, evidenced by the availability of granular real time information about the customer experience being available via web self-service to managers and members
  - A 'customer comes first' culture, evidenced by a 50% reduction in controllable upheld complaints (benchmarked at March 2017), and faster processes
  - A compelling digital self-service customer offer, and a digitised back office evidenced by the ability to keep customers informed real time (either by text or email)
  - Deliver a target of £1m savings for the HRA via Housing Operations' Transformation.
- 3.3 An internal recruitment process was adopted in order to build change capacity within the organisation. The team was in place on 5 June 2017.
- 3.4 IT Analysis was commissioned and conducted to understand the current IT environment, and future desired IT architecture. This resulted in a proposal/ business case for a Customer Relations Management (CRM) system, and associated interface environment (which needs to link to some 18 housing systems).
- 3.5 The Council's Digital Strategy has also made a case for a corporate CRM solution, and so the Housing requirement has been incorporated into a single council-wide procurement, which commenced in July 2017 with contract award occurring on 12 October. The project will be mobilised to commence in December 2017.
- 3.6 Comprehensive and detailed analysis of the current working practices and performance of 11 functions within the Housing Management Service have been completed, with findings being presented and discussed at the Housing Operations Transformation Board, chaired by the Council's Chief Executive. The

analysis included over 40 half day workshops with all staff across the Housing organisation, in order to achieve real staff involvement, engagement and buy in.

- 3.7 A digital vision, a demo of a smartphone app, which sets out a contemporary customer experience has been produced by officers, and is ready for wider consultation now with customers, members, senior managers across the council and our delivery partners. Customer consultation about how services will change and how the digital customer portal will look and feel , will span the next 4-6 months in order to ensure that the planned changes and customer portal are ratified by and genuinely influenced by the people who use and receive them.
- 3.8 The design phase has commenced, and a new operating model, spanning people (structures), technology (and data), and processes (and policies) is currently being drafted, due to be finalised by January 2018, ready for staff consultation.
- 3.9 The past year has been a challenging time for the organisation, and this has made it harder to sell Transformation and sustain the required focus. Several managers and officers have moved on ahead of the decision making process, when the decision was not known, leaving gaps in the managerial layers of the organisation for sustained periods of time. This gap in management capacity has affected the performance in some areas of the service such as the contact centre, void management, planned maintenance, responsive repairs and general customer care. However, as of 2 October 2017, the 3 most senior managers of the Housing Management service are now all in post and an action plan is now being implemented, which will address and improve performance.
- 3.9 The new operating model is scheduled to go live on 1 July 2018.

#### **BHP Transition:**

- 3.10 BHP staff successfully TUPE transferred to the council on 2 October 2017 following the conclusion of the formal TUPE consultation on 31 August 2017.
- 3.11 All relevant Housing Management and Development contracts held by BHP were successfully novated to the council via a Deed of Novation at the point of BHP transition.
- 3.12 The outgoing members of the BHP Board met on 27 September for their AGM, at which the revised articles of association and the new name (First Wave Housing) was adopted and the new board of members (14B board) were sworn in.
- 3.13 As First Wave Housing (FWH) has no employees, a reverse Service Level Agreement (SLA) between FWH and the council was put in place to ensure continuity of services for tenants of stock held by FWH.

#### **4.0 Financial Implications**

- 4.1 There are no direct financial implications beyond the committee noting that one of the aims of Housing Transformation is to deliver £1m savings for the HRA.

## **5.0 Legal Implications**

5.1 There are no direct legal implication to note.

## **6.0 Equality Implications**

6.1 There are no direct equality implications to note.

### **Report sign off:**

***Phil Porter***

Strategic Director of Community Wellbeing



|  |  |
|--|--|
|                       | <b>Audit Advisory Committee</b><br>5 December 2017         |
|  | <b>Report from the Strategic Director<br/>of Resources</b> |
| <b>Brent Housing Partnership – Summary of Audits Reports<br/>Issued 1 April 2016 to 31 August 2017</b> |  |

|   |  |
|---|--|
| <b>Wards Affected:</b>  | N/A  |
| <b>Key or Non-Key Decision:</b>   | N/A  |
| <b>Open or Part/Fully Exempt:</b><br><small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small> | Open   |
| <b>No. of Appendices:</b>   | None   |
| <b>Background Papers:</b>   | None   |
| <b>Contact Officer(s):</b><br><small>(Name, Title, Contact Details)</small>   | Michael Bradley, Head of Audit and Investigations<br>Tel: 020 8937 6526<br>Email: <a href="mailto:michael.bradley@brent.gov.uk">michael.bradley@brent.gov.uk</a> |

## 1.0 Purpose of the Report

- 1.1 This report provides a summary of internal audit reports issued to the Brent Housing Partnership Audit Committee during the period from 1 April 2016 to 31 August 2017.

## 2.0 Recommendation

- 2.1 That the Audit Advisory Committee notes the list of internal audit reports issued to the Brent Housing Partnership Audit Committee and the summary of issues highlighted for those audits which resulted in 'limited assurance' audit opinions.

## 3.0 Detail

- 3.1 The following table indicates the audits completed and relevant levels of assurance during the period 1st April 2016 to 31 August 2017:

| AUDIT                           | Assurance Opinion |
|---------------------------------|-------------------|
| Housing Rents (Rent Accounting) | Reasonable        |
| Rent Arrears Management         | Reasonable        |

| <b>AUDIT</b>  | <b>Assurance Opinion</b> |
|---|--------------------------|
| Complaints Management                                     | Reasonable               |
| Conflict of Interests and Gifts and Hospitality (Members) | Reasonable               |
| Gas Servicing   | Reasonable               |
| Leasehold Management & Service Charges                    | Reasonable               |
| Procurement and Contracts (non-major works)               | Limited                  |
| Watling Gardens TMO                                       | Limited                  |
| Kilburn Square Coop                                       | Limited                  |
| Management of BHP Owned Properties                        | Limited                  |
| Conflict of Interests and Gifts and Hospitality (Staff)   | Limited                  |

3.2 The 2016/17 and 2017/18 results and I are indicated in the table below.

|                            | <b>Substantial</b> | <b>Reasonable</b> | <b>Limited</b> | <b>Nil</b> |
|----------------------------|--------------------|-------------------|----------------|------------|
| <b>2014/15</b>             | 0                  | 40% (2 audits)    | 60% (3)        | 0          |
| <b>2015/16</b>             | 0                  | 67% (4)           | 0              | 33% (2)    |
| <b>2016/17 and 2017/18</b> | 0                  | 55% (6)           | 45% (5)        | 0          |

3.3 Set out below are recommendations arising from the limited assurance reports listed in paragraph 3.1 above. NB these findings are from the original audit reports and are effectively a 'snapshot' of the controls in place at that time. Management action will have taken place to address some or all of the agreed recommendations (e.g. for the Procurement section below, all contracts have been novated since this report was finalised). A formal follow up process will establish the full extent of that implementation and be reported to the Committee as per our protocol.

#### **BHP Procurement (Non Major Works)**

The BHP Procurement Team advertises contracts for the ALMO and manages the specifying, tendering and letting processes. BHP has a major contracts register that lists all contracts with a value of greater than £50,000 that are currently in place with BHP. £25,000 is currently the minimum threshold for a contract to be subject to a tender process but there are discussions in place to adjust this to £100,000.

The objective of this review was to consider the design and operating effectiveness of controls in relation to the procurement of non-major works for BHP. Upon understanding the nature of the population, testing of controls was extended to cover all works and services procured by BHP during the period, excluding consultancy services contracts. We considered whether the relevant rules from BHP's procurement policy were followed in relation to the works and services, and whether any necessary approvals/waivers were sought. We identified 1 high priority, 5 medium priority and 1 low priority finding as part of our review.

Key findings were as follows:

- The waiver process (bypassing of requirement to obtain 3 quotes) is not outlined in existing policy and no register is maintained nor is the use of waivers for existing contracts monitored;
- There is currently no automated control that prevents management from raising purchase orders above the Official Journal of the European Union (OJEU) limit.
- The contract register is updated manually and is not reviewed in a systematic manner and there is currently no process in place for review of end dates on the contract register.
- No performance framework is in place for the BHP's procurement function.
- For 2/5 (40%) contracts, conflict of interest declarations could not be located for any panel members, including the non-Council member (external tenant representative). BHP Procurement did not conduct conflict of interest checks for contracted suppliers, members of the BHP team or the Council before January 2017.
- BHP's procurement policy is outlined in the 'Draft Contract purchase orders' document. The 'Draft Contract purchase orders' policy has not been formalised.

### **Watling Gardens TMO**

The review considered the effectiveness of internal controls across a broad range of areas within Watling Gardens TMO. We identified a number of high and medium priority findings as a result of the audit.

Key findings were follows:

- The Modular Management Agreement (MMA) not finalised and set out as required in the new DCLG format;
- The Management and Maintenance Allowance not reviewed since the TMO was set up;
- A separate Code of Confidentiality as required by the MMA not in place;
- No formal Scheme of Delegation in place;
- No Conflict of Interests Policy and Gifts & Hospitality Policy in place;
- Lack of a Business Plan;
- An Annual Plan not produced, and
- Weaknesses in the area of financial management including reconciliations; payroll; compliance with HMRC regulations; and the budget.

### **Kilburn Square Coop**

The review considered the effectiveness of internal controls across a broad range of areas within Kilburn Square Coop. We identified two high priority and five medium priority findings as a result of this audit.

Key audit findings were:

- Concerns about governance arrangements and the extent to which board members of the Coop were involved in the day to day operational running of the TMO;
- Modular Management Agreement (MMA) between the Council and the Coop not finalised or set using the new DCLG template.
- No formal scheme of delegation in place;
- A Code of Confidentiality not published as required;
- The Management and Maintenance allowance not reviewed since the formation of the Coop in 1994.
- No ethical policies and procedures (i.e. Conflict of Interests and Gifts and Hospitality policies) and guidance for both board members and staff in place.
- No process for identifying the training needs of members and no annual training and development plan in place.
- Business Plan not sufficiently comprehensive.
- The lack of a Service Level Agreement (SLA) or written protocols in place between the Council, BHP and KSTMO, and
- Weaknesses in the area of financial management including the budget; control account reconciliations, bank reconciliations, and lack of segregation of duties within the income function.

### **Management of BHP Properties**

The review considered the effectiveness of BHP's controls and processes over the management of its own properties including the rent arrears recovery process for both current and former tenants. We identified three high priority, one medium priority and four low priority findings as a result of this audit.

Key findings were as follows:

- Rent arrears recovery actions for both current and former tenants' arrears not undertaken in compliance with procedures and timescales. More specifically no recovery action carried out on former tenant arrears since July 2014;
- Target time scales for the re-letting of intermediate / market rental and settled home properties not met. For a significant number of properties tested (87%), the targets were exceeded. This was further compounded by the failure to undertake pre void inspections;
- The majority of policies and procedures in respect of the management of BHP's own properties not reviewed or updated since 2012, and
- Unable to locate a number of documents on the V5 system including pre-inspection checklists; void inspection forms; handover certificates; and tenancy agreements.

### **Conflict of Interests and Gifts and Hospitality (Staff)**

This review considered the design and operating effectiveness of BHP's controls to deliver ethical values in practice and the extent to which they are being complied with by all employees. We identified 8 medium risk and 1 low risk findings as part of our review.

Key findings were:

- There were inconsistencies between some of BHP's ethical policies;
- Policies not regularly reviewed and updated;
- Declarations not properly completed by some employees and authorising officers;
- Lack of evidence of discussions between employees and managers where interests have been declared;
- Lack of evidence of approval being sought and obtained by employees prior to commencement of secondary employment or starting a business, and
- Concerns about the appropriateness of some gifts and hospitality being accepted by employees.

### **Fire Servicing, Maintenance & Responsive Repairs of Fire Installation – Follow Up**

An Internal Audit of Fire Servicing, Maintenance and Responsive Repairs of Fire Installations was undertaken in 2015/16. We undertook a follow-up exercise to determine the level of implementation of recommendations agreed by management during the 2017/18 financial period.

In the previous report fifteen recommendations (eleven priority 1; four priority 2 and one priority 3) were made and accepted by management. Based on the evidence presented, our follow up audit revealed that:

- eight recommendations had been fully implemented ,
- three recommendations had been partially implemented.
- one recommendation had not been implemented.

*Please note that four recommendations were not followed up as part of this review as they related to the procurement of the initial contract which has not been re-let since the audit was initially undertaken in 2015/16.*

The partially implemented recommendations relate to:

- **Monthly spot checks** – records not maintained centrally and reliance on vigilance of residents to notify BHP when they come across any out of date equipment.
- **Liquidated Damages** – yet to be applied.
- **Quality Control** – Post inspections.

The unimplemented recommendation relates to:

**Payments** – The theoretical amount of liquidated and ascertained damages foregone on overdue works have yet to be calculated or applied.

This audit originally attracted a 'Nil' assurance rating based on the previous definition. Because we have not followed up on all of the recommendations we have not amended the original assurance rating.

- 3.4 Whilst there were similarities between the Watling Gardens and Kilburn Square TMO audits, we found no other common themes across the areas of audit which need to be brought to the attention of the Audit Advisory Committee.

3.5 We have already undertaken follow up audit work on the audits indicated below:

- **Watling Gardens TMO** - (ten recommendations had been fully implemented; nine had been partly implemented and eight had yet to be implemented).
- **Kilburn Square TMO** - (two recommendations had been fully implemented and six had been partly implemented).
- **Complaints Management** - (four recommendations had been fully implemented; four had been partly implemented and three had yet to be implemented)

#### **4.0 Management Updates**

4.1 As a result of the closure of BHP and the services brought back under direct management by the Council, the Council's policies and procedures have been adopted for:

- Procurement
- Conflict of Interests and Gifts and Hospitality

4.2 **BHP Owned Properties** – these properties are now owned by First Wave Housing with a Service Level Agreement (SLA) with the Council to carry out housing management functions. The rent arrears and collection are now managed within the same team as the Council stock, with the same oversight and processes. This should further mitigate the risks.

4.3 **Tenant Management Organisations (TMOs)** – Consultants have been appointed to work with the two Tenant Management Organisations with a view to assessing their management capability and to report on support required to make them compliant. A report is due before the end of the calendar year.

#### **5.0 2018/19 Plan**

5.1 Future audit plans for Housing will be prepared based on previous audit assurance mapping work undertaken by Internal Audit, a review of relevant risk registers and consultation with senior management. A draft plan for 2018/19 will be brought to the Audit and Advisory Committee for approval in March 2018.

#### **6.0 Financial Implications**

6.1 None. None. There are no specific financial implications associated with noting this report.

#### **7.0 Legal Implications**

7.1 None.

**8.0 Equality Implications**

8.1 None.

**9.0 Consultation with Ward Members and Stakeholders**

9.1 None.

**10.0 Human Resources/Property Implications (if appropriate)**


10.1 None.

**Report sign off:**

**ALTHEA LODERICK**  
Strategic Director of Resources

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|   |  |
|---|--|
| <br><b>Brent</b> | <b>Audit Advisory Committee</b><br>5 December 2017 |
|   | <b>Report from the Chief Finance Officer</b>       |
| <b>Anti-Fraud and Bribery Policy 2017</b>   |  |

|   |   |
|---|---|
| <b>Wards Affected:</b>  | ALL   |
| <b>Key or Non-Key Decision:</b>   | Non-Key   |
| <b>Open or Part/Fully Exempt:</b><br><small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small> | Open  |
| <b>No. of Appendices:</b>   | One:<br>• Anti-Fraud and Bribery Policy 2017  |
| <b>Background Papers:</b>   | N/A   |
| <b>Contact Officer(s):</b><br><small>(Name, Title, Contact Details)</small>   | Michael Bradley – Head of Audit and Investigations<br>Tel: 020 8937 6526<br>Email: <a href="mailto:michael.bradley@brent.gov.uk">michael.bradley@brent.gov.uk</a> |

## 1.0 Purpose of the Report

- 1.1 The purpose of this report is to inform Members and seek approval of the new Anti-Fraud and Bribery Policy. The policy has been brought up to date to reflect the fraud risks, legislation and working practices currently applicable in Brent.

## 2.0 Recommendation(s)

- 2.1 That the Audit Advisory Committee notes and approves the contents of the new Anti-Fraud and Bribery Policy.

## 3.0 Detail

- 3.1 The policy incorporates relatively new legislation to combat fraud in Social Housing and the Council Tax Reduction Scheme.
- 3.2 The refreshed policy builds upon its already strong and robust sanction policy to incorporate new disposal methods such as cautions and administrative penalties as an alternative to prosecution.
- 3.3 The policy compliments existing Whistleblowing, Anti-Money Laundering and Disciplinary policies and will also contribute to the overall framework of Corporate Governance established to ensure that the council is well managed

and fulfils its statutory and regulatory duties in a proper and responsible manner.

#### **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. The Council is required by law to maintain an effective internal audit function and also to have in place a robust anti-fraud framework.

#### **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



# **Anti-Fraud and Bribery Policy**

**December 2017**

## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

### Executive Summary

Whilst the majority of public sector loss relates to the national tax and welfare systems, local government has a significant role to play in reducing its own fraud losses to a minimum. This requires every council employee, contractor, consultant, teacher, support staff, member and governor to protect the public funds which they administer from fraud and misappropriation.

Staff and members, particularly those in leadership roles, are expected to maintain the highest standards of integrity and to abide by the principles of public life. As stated by the Committee on Standards in Public Life (2013):

*“High standards of behaviour need to be understood as a matter of personal responsibility, embedded in organisational processes and actively and consistently demonstrated, especially by those in leadership positions.”*

Brent council and its schools will not tolerate fraud or corruption and will invoke the strongest possible sanctions against staff and members who commit fraud or whose standards of conduct fall short of those expected. It is important for those in a leadership position, including members, to avoid inappropriate conduct in conflict of interest situations.

The council acknowledges that it faces numerous fraud threats, both internally and externally and it will implement sound control systems to prevent fraud and bribery. The council will train its staff to identify fraudulent claims for benefits and other assistance provided to the public and will maintain an appropriately skilled anti-fraud resource to deal with allegations of fraud by staff, members and the public. All instances of proven fraud will be subject to sanctions in accordance with the council's sanction policy.

The council will ensure that where third parties are responsible for administering council funds or collecting income on behalf of the council, they will have adequate control procedures in place to protect those funds from fraud and abuse.

This policy compliments those other policies which govern officer and member conduct, including the Staff Code of Conduct, Disciplinary Code, Financial Regulations, Anti Money Laundering Policy, Whistle Blowing Policy, Brent Members Code of Conduct and other codes and protocols as set out in the council's constitution.

## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

### Contents

|   |    |
|---|----|
| Executive Summary .....   | 2  |
| Preamble – Your duties as an employee of the council, school or contractor working for the council..... | 5  |
| Part 1 - The Principles of Public Life .....  | 6  |
| Part 2 – Anti-Fraud Policy .....  | 7  |
| Policy Statement.....   | 7  |
| Definitions .....   | 7  |
| The Anti-Fraud Culture .....  | 9  |
| Driving Down Fraud .....  | 11 |
| Part 3 - SANCTION POLICY .....  | 17 |
| Policy Statement.....   | 17 |
| Introduction .....  | 17 |
| Evidential Stage Test.....  | 18 |
| Public interest test .....  | 18 |
| Members / Staff / Teachers / School Support Staff .....   | 19 |
| Welfare Benefit Fraud .....   | 19 |
| Housing Fraud .....   | 19 |
| Other Fraud .....   | 20 |
| Proceeds of Crime .....   | 20 |
| Part 4 - Bribery Policy.....  | 21 |
| Policy Statement.....   | 21 |
| Introduction .....  | 21 |
| Commitment to Anti-Bribery.....   | 21 |
| The offences under the Bribery Act 2010 .....   | 22 |
| PART 5 – Contact Details .....  |    |

## **BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY**

### **Preamble – Your duties as an employee of the council, school or contractor working for the council**

As an employee of the council or any of its maintained schools, you must comply with the staff code of conduct. You must at, at all times, act with honesty and integrity.

You must not commit fraud or theft against your employer, any public body or a client of the council. This includes but is not limited to:

- Providing false information when applying for a job with the council
- Providing false identity or right to work documentation
- Making any false claim for pay or expenses
- Forging or counterfeiting any document used to make a financial gain or cause a loss to the council
- Providing false information or failing to provide the correct information for the purposes of personal gain or the gain of others
- Failing to declare a conflict of interest
- Falsifying time sheets and expense claims
- Misusing a Disabled Persons Badge or Institutional Blue Badge
- Fraudulently claiming a benefit or grant administered by Brent or any other council
- Fraudulently claiming any benefit administered by the Department for Work and Pensions, Her Majesty's Revenue and Customs or National Health Service
- Fraudulently obtaining, subletting or making an unlawful profit from any Social Housing.
- Stealing from any client of the council
- Using council facilities for private purposes for yourself, friends family or others
- Claiming concessions which you are not entitled to
- Working for another organisation, running a business or being self-employed whilst expected to be working for the council, including whilst off sick
- Using council facilities to support a private business

### **Suspect fraud, corruption or money laundering?**

As an employee, agency staff, contractor, teacher or support staff in schools - If you suspect fraud or bribery in any of the council's or school's activities, either committed by a member of the public or a member of staff, you have a duty to inform the Audit and Investigations Team. You can either do this directly or via your manager.

- Fraud Hotline 020 8937 1279
- Audit and Investigations Team mailbox [investigations@brent.gov.uk](mailto:investigations@brent.gov.uk)
- Internal fraud online reporting link; <https://internal.brent.gov.uk/firmstep-intranet-forms/fraud-affecting-the-brent-council/>

## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

### Part 1 - The Principles of Public Life

| Principle             | Description   |
|-----------------------|---|
| <i>Preamble</i>       | The principles of public life apply to anyone who works as a public office-holder. This includes those elected or appointed to public office, nationally and locally, and all people appointed to work in the civil service, government, the police, courts and probation services, NDPBs, and in the health, education and other public services. All public office-holders are both servants of the public and stewards of public resources. These principles also have application to all those in other sectors delivering public services. |
| <i>Selflessness</i>   | Holders of public office should act solely in terms of the public interest.   |
| <i>Integrity</i>      | Holders of public office must avoid placing themselves under any obligation to people or organisations that might inappropriately influence them in their work. They should not act or take decisions that will result in other material benefits for themselves, their family, or their friends. They must declare any interests and relationships that may be perceived as a conflict.  |
| <i>Objectivity</i>    | Holders of public office must act and take decisions impartially, fairly and on merit, without discrimination or bias.  |
| <i>Accountability</i> | Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.   |
| <i>Openness</i>       | Holders of public office should act and take decisions in an open and transparent manner. Information should be withheld from the public unless there are clear and lawful reasons for so doing.  |
| <i>Honesty</i>        | Holders of public office should be truthful.  |
| <i>Leadership</i>     | Holders of public office should exhibit these principles in their own behaviour. They should also actively and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.   |

## **BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY**

### **Part 2 – Anti-Fraud Policy**

#### **Policy Statement**

The council is committed to the eradication of fraud, corruption and misappropriation and to the promotion of high standards of integrity. Our desire is to be a model of public probity, affording maximum protection to the funds we administer.

To deliver the council's corporate strategy we need to maximise the financial resources available to us. In order to do this we must reduce fraud, error and misappropriation to an absolute minimum.

Furthermore, the council recognises its fiduciary responsibility to protect public funds and we will implement secure systems and instil high standards of conduct in our staff. We will seek the strongest possible sanctions against those who seek to defraud the council. This includes our own members, staff including those in schools, contracting partners and external individuals and organisations.

Our strategy to combat fraud, bribery and misappropriation is built upon three key themes: Acknowledge, Prevent and Pursue. These themes exist within the overall context of an Anti-Fraud Culture promoted by the council through its leaders, governance arrangements and general approach to fraud.

#### **Purpose**

This document sets out the council's policy and strategy in relation to fraud and bribery. It has the full support of Members and the Corporate Management Team. It is designed to underpin all our efforts to minimise the risk of fraud and corruption and its impact.

#### **Definitions**

##### **Theft**

Theft is stealing any property belonging to the council or which has been entrusted to it (i.e. client funds), including cash, equipment, vehicles, data. Theft does not necessarily require fraud to be committed. Theft also includes the stealing of property belonging to our staff or members whilst on council premises.

##### **Fraud**

The [Fraud Act of 2006](#) introduced the first legal definitions of fraud. These legal definitions are used for the criminal prosecution of fraud offences. The council also deals with fraud in non-criminal disciplinary matters. For the purposes of this policy fraud is considered to be any action taken by an individual, group or organisation which is designed to facilitate dishonest gain at the expense of the council, the residents of Brent or the wider national community.

##### **Bribery**

Bribery is the offering, promising or giving of a financial or other advantages designed to induce an individual to take an improper decision or action. These inducements can take many forms including cash, holidays, event tickets, meals.

##### **Financial malpractice/irregularity**

This term is used to describe any actions which represent a deliberate, serious breach of accounting principles, financial regulations or any of the council's financial governance arrangements. They do not have to result in personal gain. They will include situations where undisclosed conflicts of interest result in some form of benefit.



## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

### The Anti-Fraud Culture

In 2013 the National Fraud Authority estimated that some £52 billion is lost to fraud across all sectors within the UK with just over £20 billion being attributed to the public sector. Of this, some £2 billion is estimated to be lost by local government. This figure excludes £350 million of housing benefit fraud which, although currently administered by the council, will shortly form part of the government's Universal Credit system of welfare support.

The Latest NFI (Cabinet Office) report 2016 reported £198M of detected fraud in local government. Local authorities, whilst being praised for their approach to anti-fraud, clearly need to do more to bring down the level of estimated losses and increase detection to reduce the gap. Furthermore, the recovery of fraud losses is relatively low and, hence, the financial damage done by fraudsters to local government finance and the community is immense.

Losses at an individual local authority level have not been estimated. However, it is safe to assume that Brent is no different to any other large local authority and is equally susceptible to the full range of fraud affecting local government.

The council must have a strong and identifiable Anti-Fraud Culture where the council's leaders, both elected and employed, uphold the highest standards of conduct both in their duties and in their own personal financial dealings.

Leadership is the cornerstone of any organisation. Leaders set the example that the rest of the organisation follows. The elected councillors in this organisation are expected to set an example to each other, our staff and the community that we serve.

Similarly, there is a special onus upon the Executive, Council Management Team and Senior Officers to set examples of conduct, in their financial dealings, which are beyond reproach and fully accountable. This includes financial dealings away from the workplace. For example, it is difficult to set a good example if you are making false tax returns.

We have already come a long way in developing our anti-fraud culture, our first anti-fraud statement was agreed by the full council in 1997, the first full framework was produced in 2003 and renewed in 2008. We are now building upon those foundations and taking steps to ensure that we do not become complacent, identify new and emerging risks and continue to deal robustly with instances of fraud and irregularity.

The council takes ultimate responsibility for the protection of our finances and those that are administered on behalf of central government or the community. In turn, our managers have a duty to protect their service area from losses due to fraud and irregularity and are responsible for assessing fraud risk, implementing proper internal controls and other strategies to mitigate risk. Our Managers are expected to be fully familiar with the services they provide and must be cognisant of the fraud risks in their service area. Some services will be at particular risk of attack from external sources, i.e. council tax, national non-domestic rate, renovation grants, direct payments and social housing. In fact, any service which, either, pays money directly, reduces a liability or gives a service of value (i.e. a council property) where there is some sort of claim or application made, is at a high risk of fraud.

In addition, all council services are susceptible to internal fraud through, for example, false pay, allowance or sickness claims and abuse of their position by officers for private gain or the gain of relatives or friends. This is also equally true within schools.

The corporate framework, which underpins the operation of the council, has a number of facets that exist to fortify the council against fraud. These include:

- [The Constitution](#), [Financial Regulations](#) including those for schools, [Standing Orders](#) and the [Scheme of Delegation](#).
- An established Audit Committee
- Governance reviews

## **BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY**

- A Director of Finance and Corporate Services with statutory responsibility for the oversight of all financial affairs.
- A Director of Legal and Procurement with statutory responsibility for monitoring the legality of the council's affairs
- Declaration of interest and gifts and hospitality procedures for Members and Officers
- Effective employee vetting procedures (recruitment checks and DBS where appropriate and a detailed staff code of conduct
- A corporate Induction programme for all staff which includes expected standards of probity.
- Effective disciplinary procedures
- Internal controls regularly reviewed and annually certificated by managers
- Periodic checks by Internal Audit
- A confidential reporting code (Whistleblowing procedure)
- An anti-fraud and bribery policy
- A complaints procedure available to the public
- Public inspection of accounts and questions to the External Auditor
- An external audit
- A dedicated audit and investigation team whose work programmes includes proactive work, determined by a formal risk assessment.
- Participation in national anti-fraud initiatives.
- The promotion of awareness of anti-fraud and bribery issues, reinforced by training and publicity.
- A proactive IT security function

The council takes a holistic approach to anti-fraud measures. Fraud prevention, detection and system security are an integral part of the development of new systems and projects. Project Managers must consider the fraud and security threats and take advice where appropriate when implementing any systems.

The holistic approach extends to the investigation of allegations and the prevention of fraud through system reviews. The Audit and Investigation Team provide the council's fraud investigation and internal audit functions in a seamless manner. They employ a multi-disciplinary approach to the prevention, detection, investigation and remedy of fraudulent activity. In addition the team are free to work with other agencies in pursuance of the council's anti-fraud aims.

Our strategy to reduce fraud is based on three themes: Acknowledge, prevent and pursue within an over-riding anti-fraud culture. We will promote this culture across all our services areas and within the community as a whole. One pound lost to fraud means one pound less for public services. Fraud is not acceptable and will not be tolerated.

## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

### Driving Down Fraud

|                    | Acknowledge  | Prevent  | Pursue  |
|--------------------|--|--|---|
| <b>The Council</b> | <p>The council has an established anti-fraud culture, fraud response and is comfortable acknowledging its fraud risks, dealing with fraud and publicising the results. It has invested resource into a corporate fraud team and will continue to commit appropriate resources to tackle fraud.</p> <p>The anti-fraud effort will be supported by members through endorsement of this policy, on-going commitment to appropriate anti-fraud measures and via regular reports on anti-fraud matters to the Audit Committee.</p> <p>The council recognises its responsibility for the proper administration of its finances. This not only includes direct income and expenditure but also monies that we administer on behalf of the government, on behalf of our clients and that for which we are the responsible accountable body. Fraudsters, both inside and outside the organisation, attack all of these sources of income and expenditure and our valuable assets.</p> <p>The council will be vigilant in all of these areas and will apply the principles of prevention, detection, investigation and redress across all its services. The council will not be afraid to tackle difficult or uncomfortable cases and will take a robust line and seek the maximum appropriate sanction in all its areas of operation.</p> <p>The council's fraud threats are many and varied and can be split into two broad headings, internal and external. The internal threats come from staff, contractors</p> | <p>The council is committed to preventing fraud through sound governance, internal control and robust employee vetting. The responsibility for implementing adequate internal controls rests with management.</p> <p>Managers are expected to consider their fraud risks on a regular basis and adapt the controls systems accordingly. The Audit and Investigation team will provide anti-fraud awareness training and advise on preventative controls during both routine audit work and following investigations where control weaknesses are identified.</p> <p>Managers are expected to implement new controls where weaknesses have been identified. All significant investigations will be reported to the Audit Committee and taken into account when assessing the council's overall governance arrangements.</p> | <p>The Audit and Investigation team is charged with leading the council's fight against fraud.</p> <p>The team works to the Director of Finance and Corporate Services and the Chief Executive and will be free to examine all allegations of theft, fraud, financial misconduct, corruption and other behaviour affecting the finances or integrity of the council or of those funds for which we are responsible.</p> <p>The team will investigate any allegation that may have a direct, or indirect, impact on the finances for which we are responsible. This will include cases where staff may have financial information relating to organisations which are, or have been, funded by the council or with whom the council have a contract.</p> |

## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

|                    |   |   |  |
|--------------------|---|---|--|
|                    | and members whilst the external threats come from individuals and organisations who interact with council services.   |   |  |
| <b>Our Members</b> | <p>Whilst our members represent a relatively low level of fraud risk, they are fundamental to setting the culture within the organisation. Our Members are expected to act in a manner which sets an example to the community whom they represent and to the staff of the council who implement their policy objectives.</p> <p>Members should be particularly careful when claiming benefits and ensure that all relevant circumstances are properly declared to the DWP, HMRC and the council as appropriate. Members must also be careful to make all appropriate declarations of interest and to follow the rules on gifts and hospitality.</p> | <p>Our Members will comply with relevant codes of conduct and any ancillary codes that we implement, such as the Planning Code of Practice.</p> <p>Members must not place officers under inappropriate pressure to alter properly made decisions other than through the formal process, and should not use their position for the personal benefit of themselves or any other individual in their dealings with the council.</p> <p>We will provide fraud awareness training to our Members and encourage an open and honest dialogue between Members and Officers.</p> <p>We will ensure that the processes that are particularly vulnerable, such as planning, licensing, disposals and tendering are adequately protected through internal control mechanisms and proactive reviews of member interests.</p> <p>Through internal audit, officer reviews and the work of the monitoring officer we will ensure that the fraud risks are considered in all vulnerable areas and appropriate tests are devised to detect fraud.</p> | <p>Allegations of fraud and corruption made against our members will be fully investigated in accordance with the relevant statutory and local provisions. The council will fully assist other law enforcement agencies or statutory bodies with any investigation concerning a member. Allegations about members that are received by the Audit and Investigations Team will be referred immediately to the Monitoring Officer. The Monitoring Officer may utilise the Audit and Investigations Team for the purposes of any investigation. The council will seek the strongest possible penalties against members who are found to have committed fraud against the council.</p> |
| <b>Our Staff</b>   | <p>Our employees, direct, agency or consultants, including teaching and support staff in schools are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. No financial malpractice will be tolerated and investigations will be pursued, so that the most appropriate sanctions are applied.</p> <p>There is a special responsibility on our</p>  | <p>We recognise that our systems are vulnerable from attack from within the organisation. Particularly by those fraudsters who gain inside knowledge of control weaknesses through their official position.</p> <p>Prevention is better than cure and all managers must ensure that as far as possible their systems are adequately protected by sound internal controls. It is the responsibility of all managers to establish and maintain systems of</p>   | <p>Staff have a duty to assist the council with any matter under investigation. Failure to assist with an investigation may be considered as a breach of trust or failure to comply with financial regulations. This could lead to disciplinary action being taken.</p> <p>We will seek the strongest available sanctions against staff who commit fraud against the council, its clients or the public purse. This will include disciplinary action, prosecution and civil</p>  |

## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

|  |  |  |   |
|--|--|--|---|
|  | <p>Corporate Management Team, Monitoring Officer, Service Heads and Leadership Staff in schools to lead their staff by example. The council expects these individuals to set the standard by their own behaviour. This includes the whole-hearted promotion of Nolan's principles of public life.</p> <p>It is the responsibility of senior staff to be aware of financial regulations, the code of conduct, disciplinary code, anti-fraud and bribery policy and to be responsible for ensuring conformance to them by the staff for whom they are responsible.</p> | <p>internal control and to ensure that the council's resources are properly applied and on the activities intended. This includes responsibility for the prevention and detection of fraud, corruption and financial malpractice.</p> <p>We will ensure that an adequate and effective internal audit is undertaken of the council's systems and processes.</p> <p>With regard to the vetting of new entrants, references will be taken in all cases and personal testimonials will not be accepted. Where qualifications are required for a particular post, candidates will be required to submit original certificates for checking. If a doubt arises as to the authenticity of a qualification, this will be verified with the examination board / professional body. Where agency staff are being employed in positions where they have access to finance, personal data or other assets, their references will be checked direct with their previous employer. The council will not rely on references supplied by staffing agencies.</p> <p>Internal audit reviews will have regard to the possibility of fraud. Auditors and Investigators will receive reciprocal training to ensure that both have a full understanding of system controls and potential fraud areas. We will undertake a series of proactive anti-fraud audits in high-risk areas with a view to uncovering fraud and misappropriation.</p> <p>All members of staff, the public and councillors are encouraged to contact the Audit and Investigations team with any suspicion of fraud, corruption, financial malpractice or the misuse of official position.</p> | <p>proceedings. Employees found guilty of gross misconduct at disciplinary for offences of fraud, theft, corruption, serious financial malpractice, using their position for personal gain or for the gain of others, will normally be subject to a recommendation of summary dismissal. This applies to employees who improperly benefit from the council as a corporate body and not just those who steal funds from their own unit. It also applies to employees who defraud or steal from the council's clients. We will also take disciplinary action against staff who commit fraud against other Local Authorities, the Department of Work and Pensions or any other agency administering public funds.</p> <p>At the conclusion of each investigation, the Audit and Investigation team will produce a report. The manager whose responsibility encompasses the area of that investigation will consider the report and take the appropriate action (disciplinary or other). If the Audit and Investigation team is not satisfied that the appropriate action has been undertaken they will refer the matter to the Chief Executive.</p> <p>As with all disciplinary matters, the level of proof required is that of the balance of probability. Disciplinary cases involving allegations of fraud, corruption and financial malpractice will be handled on this basis. The decision to refer the matter on for further action, such as prosecution, will be taken by the Audit and Investigation team in accordance with any sanction policy in force at the time.</p> <p>The Audit and Investigation team will highlight any system weaknesses that are identified as a result of an investigation. These will be</p> |
|--|--|--|---|

## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

|                                     |   |   |  |
|-------------------------------------|---|---|--|
|                                     |   | <p>In addition the council operates a Whistleblowing Procedure for those employees who wish to utilise the protection offered by the Public Interest Disclosure Act 1998. We will utilise all methods available to detect fraud. This includes data matching, open source research, surveillance and intelligence led investigation.</p>  | <p>addressed through an agreed action plan. The relevant service area manager is responsible for implementing the action plan and the Audit and Investigation team will monitor implementation. Failure to implement adequate system controls following a loss to fraud will be the subject of a report to the relevant Chief Officer and/or Audit Committee.</p> <p>The Audit Committee will receive regular reports from the Audit and Investigation Team regarding system failures, proposals for action and feedback on the implementation of action plans.</p>  |
| <b>Our Partners and Contractors</b> | <p>Those organisations undertaking work on behalf of the council are expected to maintain strong anti-fraud principles and have adequate controls in place to prevent fraud when handling public funds and dealing with customers on behalf of the council. We are happy to work with such organisations and to provide advice on anti-fraud measures. Through contract documentation we will ensure that our partners take the issue of fraud seriously.</p> | <p>We will expect our partners to have adequate controls in place to minimise fraud. We will provide fraud awareness training to our partners as required. We will also provide support and training to our community partners to help them implement proper controls and protect the funds they administer.</p> <p>Our partners will be expected to have adequate recruitment procedures and controls when they are handling finance on behalf of the council. This expectation will be written into all contract terms and agreements.</p> <p>Our partners are expected to have adequate Whistleblowing Procedures and the council's own procedure will be promoted to contractor staff working on behalf of the council.</p> <p>Where our partners are involved with the administration of our finances, or those for which we have responsibility, we will conduct management scrutiny, internal audit reviews and pro-active anti-fraud exercises as we would for our own service areas.</p> | <p>Our partners will provide full access to their financial records, as they relate to our finances, and their staff will be required to assist fully with any investigation. These conditions will be included in any contract terms or agreements.</p> <p>We will seek the strongest available sanctions against contractor / partner staff who commit fraud against the council or who commit fraud against the public purse. We will request that the organisation takes appropriate disciplinary action against the individual and / or we will require that they are removed from the Brent account. The ability to request removal of staff will be written into contract terms.</p> <p>The decision to refer the matter on for further action, such as prosecution, will be taken by the Audit and Investigation team in accordance with any sanction policy in force at the time.</p> <p>System weaknesses identified as a result of fraud investigations will be highlighted by the Audit and Investigation team. The partner organisation will be expected to address these</p> |

## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

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|                   |  |   | <p>issues. Failure to implement adequate system controls following a loss to fraud will be the subject of a report to the relevant contract / partnership manager.</p> <p>All partners and contractors will be responsible for any losses affecting council funds attributable to their employees. This will be written into contract terms</p>   |
| <b>The Public</b> | <p>Members of the public receive financial assistance and benefits from the council through a variety of sources. These include housing benefit, council tax support, social welfare payments, council housing, temporary accommodation, children's act payments, direct care payments, renovation and other housing related grants, right to buy discounts, blue badges, business refurbishment schemes and grants, voluntary Sector grants, discounts on council tax and business rates. All of these areas have been the subject of attack by fraudsters. This means less money is available for those in genuine need. Our fraud effort will be balanced against our desire to ensure genuine claimants receive their full entitlement.</p> <p>Of equal significance for the community in Brent is the impact of housing and tenancy related fraud. The pressure on housing is immense within the borough and each tenancy lost to a false application or a sub-let, means one extra family in bed and breakfast or temporary accommodation.</p> <p>Those who obtain their tenancies through fraudulent applications usually exercise their right to buy the property at a significant discount. This results in the property being lost to the public sector for good.</p> <p>New threats are emerging,</p> | <p>We will implement strong systems of verification of all claims for all types of financial assistance and housing. We will utilise all data available to corroborate information given by applicants for the purposes of prevention and detection of fraud.</p> <p>We will also monitor and review grants and assistance given to external organisations to ensure applications are genuine.</p> <p>All our staff involved in assessing applications will be given on-going fraud awareness training.</p> <p>We will utilise formal referral procedures for all assessment staff and encourage early referral of suspected cases.</p> <p>We will participate in national and local initiatives, including data-matching and work with all government agencies and law enforcement bodies to detect and prevent fraud and other crimes affecting the well-being of our community.</p> <p>We will analyse fraud trends in order to identify high risk areas and undertake proactive anti-fraud drives based on that analysis.</p> <p>We encourage the public to make use of our free fraud hotline 080 8937 1279 to report any suspected fraud or to report fraud through our web site at <a href="http://www.brent.gov.uk">www.brent.gov.uk</a>. We will evaluate all referrals received from members of the public and commence</p> | <p>The Audit and Investigation team are responsible for investigating all allegations of fraud. The team will work with other local authorities and public sector bodies including; the Department of Health, JobCentrePlus and the Pensions Service, the Police, Her Majesty's Revenue and Customs, Immigration Service, the National Crime Agency for the purposes of preventing, detecting and investigating crime.</p> <p>Where appropriate, we will participate in data matching exercises and will share information using legislation or legal gateways available to us and our partners.</p> <p>The council will make full use of its statutory powers, including the power to enter business premises and obtain information regarding benefit claimants and the power to seek information from financial institutions and utility companies in respect of benefit claims.</p> <p>We intend to apply a sanction in all appropriate cases of fraud and attempted fraud. This will range from official warnings to prosecution. In all cases we will seek recovery of any fraudulently obtained amounts and will utilise all means available to us to recover these amounts. This will include administrative penalties, freezing or restraint orders, compensation orders, confiscation orders, civil litigation and general debt recovery.</p> |

## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

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|  | <p>particularly in relation to the new council tax support scheme, which replaced council tax benefit from April 2013, council tax discounts such as single person and student and business rate discounts. We will apply the same principles in dealing with fraud in all of areas of expenditure that directly support the community.</p> | <p>investigation into all appropriate cases.</p> <p>We will make and foster referrals to the DWP for Housing Benefit Fraud.</p> | <p>We will use the council's own legal team and the Crown Prosecution Service to bring offenders to justice. Prosecution will include false homeless applications, fraudulent grant applications and any instance where the council has been deceived into providing financial assistance.</p> <p>As a deterrent, we will also publicise all our successful sanctions in the local press and / or national press and media.</p> |
|--|---|---|---|

### Part 3 - SANCTION POLICY

#### Policy Statement

The council will use the full range of sanctions available to it, including criminal prosecution, cautions, administrative penalties, civil recovery, internal discipline and referral to professional bodies in order to deter fraud, bribery and associated offences.

We will utilise our own legal service to conduct prosecutions, where appropriate and also the Crown Prosecution Service.

We will refer matters to other law enforcement agencies or regulators where appropriate and support those agencies in bringing proceedings.

#### Introduction

Part one of the council's fraud and bribery policy sets out our aims and objectives with regard to tackling fraud and associated offences. It states that we will seek the strongest possible sanction against any individual or organisation that defraud, or seek to defraud the Authority. The use of sanctions will be governed by this sanction policy and the principles of the policy shall apply equally to any fraud against the Authority or against funds for which the Authority has responsibility.

The objectives of this policy are:

1. To ensure that the council applies a full range of sanctions in a just and consistent manner.
2. To ensure that sanctions are applied in an effective and cost efficient manner.
3. To ensure that the sanction decision making process is stringent, robust and transparent.

This policy is designed to provide a framework within which to ensure the most appropriate resolution to a case is reached. The sanction decision will have regard at all times to the council's anti-fraud policy objectives, the individual circumstances of each person concerned and the overall impact of the punishment to both the individual and the community.

A range of sanctions is available to the council. These include disciplinary action, civil proceedings, criminal proceedings and administrative penalties. In appropriate cases we will take more than one form of action.



## **BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY**

For example, where staff have defrauded the council we may take disciplinary, prosecution and civil recovery action.

One sanction available to the council is criminal prosecution. We recognise that this is a serious step to take and the decision to refer cases for prosecution will not be taken lightly.

The ultimate decision on prosecution will be taken by the prosecuting body. In some cases this will be the council through the Director of Legal and Procurement, in others the Crown Prosecution Service.

Other than where the Crown Prosecution Service is the most appropriate prosecuting authority, we will utilise the council's Legal Service to undertake criminal prosecution. In these cases the decision to refer cases for prosecution to legal services will be taken by the Head of Audit and Investigations or his representative.

In appropriate cases, we will use the Crown Prosecution Service, this will usually be for serious fraud cases involving joint police / other agencies.

Alternatively, we may refer cases to the police for investigation who may then refer matters to the Crown Prosecution Service or other prosecutor.

When considering a case for prosecution it is generally accepted that there are two “tests” to be applied – the evidential test and the public interest test. These are currently set out in the [Code for Crown Prosecutors 2013](#). The Evidential Stage test must be considered prior to the Public Interest Stage.

### **Evidential Stage Test**

Prosecutors must be satisfied that there is sufficient evidence to provide a realistic prospect of conviction against each suspect on each charge. They must consider what the defence case may be, and how it is likely to affect the prospects of conviction. A case which does not pass the evidential stage must not proceed, no matter how serious or sensitive it may be. The evidence must be acquired in a form which can be used by the court and be admissible and there must be enough evidence to form a realistic prospect of conviction.

In order to ensure that a “realistic prospect of conviction” exists officers of the Audit & Investigations team and prosecutors will at all times ensure that investigations are conducted in accordance with all relevant legislation and Codes of Practice with regard to evidence gathering, interviewing and rules of disclosure.

The evidence gathered will be examined in the first instance by the investigator and their manager. When both are satisfied that sufficient evidence exists to successfully prosecute and that the Public Interest Stage is also satisfied the case file will be passed on to either the council's legal team or the Crown Prosecution Service. All prosecutors will then apply their own inspection of the evidence to ensure that both tests are met.

### **Public interest test**

A prosecution will usually take place unless the prosecutor is sure that there are public interest factors tending against prosecution which outweigh those tending in favour, or unless the prosecutor is satisfied that the public interest may be properly served, in the first instance, by offering the offender the opportunity to have the matter dealt with by an out-of-court disposal. The more serious the offence or the offender's record of criminal behaviour, the more likely it is that a prosecution will be required in the public interest.

Aggravating and mitigating factors will be taken into consideration when deciding on the appropriate sanction as set out in the code for crown prosecutors.

### **Members / Staff / Teachers / School Support Staff**

In all cases of fraud, theft, financial misconduct, serious and intentional breach of financial regulations and corruption committed by employees of the council or its maintained schools we will seek disciplinary action.

## **BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY**

The normal recommendation for staff would be gross misconduct. This will include cases of fraud against the council, other council's and other public sector bodies.

Where a financial loss has been identified we will always seek to recover this loss either through the civil or criminal process. In addition, where staff are members of professional bodies or are subject to national codes of conduct such as teaching and social services staff, we will refer cases to the relevant professional body.

Where appropriate under this policy we will refer cases to the relevant prosecuting authority for criminal prosecution.

### **Housing Fraud**

The Prevention of Social Housing Fraud Act came into force in 2013 and Local Authorities were granted powers under the act in 2014. The act criminalises various aspects of social housing fraud, including subletting and obtaining illegal profit. Local Authority investigators received new powers to obtain information and to prosecute under the act. Illegal profit orders can be obtained once a case has been successfully prosecuted. All suitable cases are identified and passed to Brent's Legal Team for an opinion as to the viability of prosecution and illegal profit order.

In all cases of fraudulent housing or homeless applications, where a tenancy has been obtained, the council will seek repossession of the property and recovery of any financial losses. The council's view is that one property lost to fraud is one less property available to use for genuine applicants.

Fraud and illegal subletting committed by housing and homeless applicants will be considered for criminal prosecution.

The factors that will affect our decision to prosecute will be based on the evidential and the public interest test.

Where council properties have been sublet or are abandoned the council will always seek repossession of the property and recovery of any financial losses.

### **Other Fraud**

Direct Care Payments, Grants, Reliefs and exemptions council tax or non-domestic rates and other applications for financial assistance and other benefits awarded such as Disabled Persons' Blue Badge.

In cases where the council suffers a financial loss, we will always seek recovery. Where an organisation is involved in the fraud, the council will also make referrals to the relevant governing body, i.e. Charities Commission, Registrar of Companies.

The council will also consider criminal prosecution. The factors that will affect our decision to prosecute will be based on the evidential and the public interest test. This will include cases of attempted fraud i.e. applications for renovation grants where the financial estimates are deliberately misstated; false applications for direct care payments.

### **Tax Evasion**

Legislation was introduced in 2017 to tackle criminal tax evasion. While Brent is a low-risk organisation in this context, Brent will undertake a brief, periodic risk assessment to cover high risk areas for tax evasion. Much of any risk will be covered by standard anti-fraud processes, e.g. we have controls in place to prevent false invoicing. Any areas where we identify exposure as a result of this risk assessment will be mitigated accordingly.

## **BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY**

Generally, any activity of this nature will be linked to our disciplinary policy and considered to be gross misconduct.

### **Proceeds of Crime**

The council will use the Proceeds of Crime Act 2002 and the Criminal Justice Act 1988 to obtain Confiscation Orders to include Compensation Orders as well as recovery of moneys where possible. The council may use its own accredited Financial Investigators or those attached to other law enforcement agencies in order to conduct investigation, obtain orders and present evidence.

## **BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY**

### **Part 4 - Bribery Policy**

#### **Policy Statement**

Bribery is a criminal offence. The council, its schools and all those employed by us will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements.

To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery.

The council is committed to the prevention, deterrence and detection of bribery. We have zero tolerance towards bribery. Anti-bribery compliance will underpin all relevant processes, services and operations.

#### **Introduction**

Bribery is the offering, promising or giving of a financial or other advantages designed to induce an individual to take an improper decision or action. These inducements can take many forms including cash, holidays, event tickets, meals. Decisions could relate to recruitment, the award of contracts, planning consents and other awards.

This policy provides a coherent and consistent framework to enable employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

This policy applies to all of the organisation's activities, its personnel, including all levels and grades, those permanently employed, temporary staff, agency staff, contractors, non-executives, agents, Members (including independent members), volunteers and consultants.

For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

#### **Commitment to Anti-Bribery**

All personnel, including those permanently employed, temporary, agency staff and contractors will:

- Act honestly and with integrity at all times and will act to safeguard the council's resources for which they are responsible
- Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the organisation operates, in respect of the lawful and responsible conduct of activities
- If an employee suspects that bribery has occurred or is being offered, they must report their suspicions to the Head of Audit and Investigations or their representative

## **BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY**

It is unlawful for employees to:

- Give, promise or offer an inducement to a public official, agent or representative to "facilitate" or expedite a routine procedure
- Accept an inducement from a third party that you know or suspect is offered with or provided the expectation that it will obtain a business advantage for them
- Employees found to have breached these expectations will be subject to disciplinary action

The council will:

- Set out a clear anti-bribery policy and keep it up to date
- Maintain adequate and proportionate procedures to prevent bribery
- Undertake anti-bribery risk assessments
- Make all employees aware of their responsibilities to adhere strictly to this policy at all times
- Maintain appropriate gifts and hospitality procedures
- Encourage employees to report any suspicions of bribery
- Investigate instances of alleged bribery and assist the police and other authorities in their investigations
- Take a robust line against individuals found to have breached this policy or to have committed or facilitated bribery

### **The offences under the Bribery Act 2010**

Bribery can be committed by staff within Local Authorities and/or schools by two main offence categories:-

- i) Bribing another person
- ii) Being bribed

A local authority as a commercial organisation and deemed corporate body can commit an offence of failing to prevent bribery [Section 7]. It is a defence if the local authority has in place adequate procedures designed to prevent persons associated with it from undertaking such conduct.

The act also introduces an offence of bribing a foreign official.

In order to prosecute offences of Bribery, consent is required from either the Director of Public Prosecutions, Director of Serious Fraud Office or Director of Revenue & Customs Prosecutions. All such cases will therefore be referred to one of the above 3 prosecuting authorities, to be determined on a case by case basis.

Individuals found guilty of an offence may be imprisoned for a maximum term of ten years and face an unlimited fine.

## BRENT COUNCIL – ANTI-FRAUD AND BRIBERY POLICY

### PART 5 – Contact Details

Fraud Hotline (Lindsay Hall):

Tel: 0800 937 1279 EMAIL: [investigations@brent.gov.uk](mailto:investigations@brent.gov.uk)

Internal; <https://internal.brent.gov.uk/firmstep-intranet-forms/fraud-affecting-the-brent-council/>

External; <https://www.brent.gov.uk/your-community/crime-and-community-safety/fraud-affecting-the-brent-council/>

Head of Audit and Investigations: Michael Bradley


Tel: 020 8937 6526 EMAIL: [Michael.Bradley@brent.gov.uk](mailto:Michael.Bradley@brent.gov.uk)

Investigations Manager: Michael Cassel

Tel: 020 8937 1262 EMAIL: [michael.cassel@brent.gov.uk](mailto:michael.cassel@brent.gov.uk)

Internal Audit Manager: Aina Uduehi

Tel: 020 8937 1495 EMAIL: [aina.uduehi@brent.gov.uk](mailto:aina.uduehi@brent.gov.uk)

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| <br><b>Brent</b> | <b>Audit Advisory Committee</b><br>5 December 2017 |
|   | <b>Report from the Chief Finance Officer</b>       |
| <b>Anti-Money Laundering Policy 2017</b>  |  |

|   |   |
|---|---|
| <b>Wards Affected:</b>  | ALL   |
| <b>Key or Non-Key Decision:</b>   | Non-Key   |
| <b>Open or Part/Fully Exempt:</b><br><small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small> | Open  |
| <b>No. of Appendices:</b>   | One:<br>• Anti-Money Laundering Policy 2017   |
| <b>Background Papers:</b>   | N/A   |
| <b>Contact Officer(s):</b><br><small>(Name, Title, Contact Details)</small>   | Michael Bradley – Head of Audit and Investigations<br>Tel: 020 8937 6526<br>Email: <a href="mailto:michael.bradley@brent.gov.uk">michael.bradley@brent.gov.uk</a> |

## 1.0 Purpose of the Report

- 1.1 The purpose of this report is to inform Members and seek approval to implement the new Anti-Money Laundering Policy. This policy sets out effective measures to ensure Brent is compliant with relevant legislation and protects itself from money laundering.

## 2.0 Recommendation(s)

- 2.1 That the Audit Advisory Committee notes and approves the contents of the new Anti-Money Laundering Policy and its implementation.

## 3.0 Detail

- 3.1 Primary legislation consists of the Proceeds of Crime Act 2002 (POCA) and the Terrorism Act 2000 (TACT). Secondary legislation are the Money Laundering Regulations which support the primary legislative objectives.
- 3.2 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, referred to in this context as The Money Laundering Regulations, came into statute on 26<sup>th</sup> June 2017 and set out all the business sector types to which these regulations apply.

- 3.3 As a public authority, Brent is not specifically covered under the Money Laundering Regulations - however, it is implied best practice that we assess risk and put sufficient controls in place to prevent Brent from being used for money laundering.
- 3.4 The policy sets out in detail how we aim to achieve best practice through: assessing the risk to Brent; implementation of adequate controls; due diligence of clients and financial transactions; adequate record keeping; reporting suspicious transactions, and awareness training for all staff.
- 3.5 The policy will complement all existing related policies such as the Anti-Fraud and Bribery Policy and contribute to the overall framework of Corporate Governance established to ensure that the council is well managed and fulfils its statutory and regulatory duties in a proper and responsible manner.

#### **4.0 Financial Implications**

- 4.1 None. There are no specific financial implications associated with noting this report.

#### **5.0 Legal Implications**

- 5.1 The Council is required by law to maintain effective controls with its financial transactions.

#### **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



# **ANTI-MONEY LAUNDERING POLICY**

**Author:** Head of Audit and Investigations

**Date:** December 2017

**Document Status:** Draft Version 1.1

## Contents

### **INTRODUCTION TO THE POLICY**

1. Context
2. Purpose and Rationale
3. Scope of the Policy
4. What is Money Laundering?
5. The Legal and Regulatory Framework and Obligations on the Council

### **HOW THE COUNCIL WILL RESPOND**

6. The Council's Response
7. The Money Laundering Reporting Officer
8. Reporting to the Money Laundering Reporting Officer
9. Customer Due Diligence
10. Training
11. Further Information
12. Review of the Policy

#### Appendix 1 - How the council may be exposed to Money Laundering

- A. Guidelines to staff and members on concerns and suspicions
- B. The types of activities that may be affected

#### Appendix 2

- C. Money Laundering Report Form
- D. Money Laundering Disclosure Form – to be completed by the Money Laundering Reporting Officer
- E. Customer Due Diligence Form – Private Individual
- F. Customer Due Diligence Form – Business

## **INTRODUCTION**

### **1 Context**

**1.1** Money laundering means exchanging money or assets that were obtained criminally for money or other assets that are 'clean'. The clean money or assets don't have an obvious link with any criminal activity. Money laundering also includes money that's used to fund terrorism, however it's obtained.

**1.2** Although Anti-Money Laundering legislation does not specifically cover local authorities as defined by organisations in the regulatory sector, it is implied best practice that we assess risk and put sufficient controls in place to prevent Brent from being used for money laundering.

**1.3** We are also required to:

- assess the risk of Brent being used by criminals to launder money;
- check the identity of our customers;
- check the identity of 'beneficial owners' of corporate bodies and partnerships;
- monitor our customers' business activities and report anything suspicious to the National Crime Agency (NCA);
- make sure we have the necessary management control systems in place;
- keep all documents that relate to financial transactions, the identity of our customers, risk assessment and management procedures and processes, and
- make sure our employees are aware of the regulations and have had the necessary training.

**1.4** Whilst awareness of our Anti Money Laundering requirements is important, the majority of officers are likely to be unaffected, except in highly unusual circumstances. However, some officers in particular areas might be considered high risk, for example those receipting large cash amounts, or working in Right to Buy of Council Housing. If in doubt please contact the Council's Head of Audit and Investigations for advice.

**1.5** This Policy, and the accompanying procedures and reporting forms, represents an important part of the council's approach to dealing with the risk of fraud and corruption. This Policy seeks to complement the Anti-Fraud, Corruption and Bribery Policy and Whistleblowing Policy and contribute to the overall framework of Corporate Governance established to ensure that the council is well managed and fulfils its statutory and regulatory duties in a proper and responsible manner.

### **2 Purpose and Rationale**

**2.1** The risks to the council of contravening money laundering legislation are relatively low and some aspects of the legal and regulatory requirements do not apply to public authorities. However, it is recognised that the council is not completely immune from the risks surrounding money laundering. The purpose of the Anti-Money Laundering Policy is to provide guidance to officers and so reduce the risk of money laundering. It is important that all officers who deal with transactions which are at risk of money laundering understand and are committed to the underlying principles of money laundering legislation. All officers should take all reasonable steps to prevent, detect and minimise

the likelihood of money laundering occurring. This document seeks to develop a suitable framework of arrangements to safeguard Brent against such transactions, whilst making satisfactory provisions to achieve compliance to legal and regulatory requirements, where appropriate.

### **3 Scope of the Policy**

3.1 Whilst this policy applies to all employees of the council, it is particularly focused on high risk groups of staff and aims to prevent criminal activity through money laundering. Those high risk groups of staff are likely to be working in areas of the Council that handle material transactions on a regular or ad hoc fashion. For example, the Right to Buy Team in Housing, which may come across large cash sums or other sums that suddenly appear in a suspicious fashion e.g. through a large, unknown gift. Other teams may come across similar issues to pay off debts and local taxes. It is extremely important that all members and employees are familiar with their legal responsibilities and are vigilant at all times. Serious criminal sanctions may be imposed for breaches of the legislation. The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO).

**3.2** Failure by any employee to comply with the procedures set out in this policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the council's Disciplinary Policy and Procedure.

### **4 What is Money Laundering?**

4.1 Money laundering is a term designed to cover a number of offences. These offences relate to the improper handling of funds that are the proceeds of criminal acts, or terrorist acts, so that they appear to come from a legitimate source. It relates to both the activities of organised crime but also to those who benefit financially from dishonest activities such as receiving stolen goods. The Proceeds of Crime Act 2002 (POCA), as amended by the Serious Organised Crime and Police Act 2005, creates a range of criminal offences arising from dealing with proceeds of crime. The four main offences that may be committed under money laundering legislation are:

- Concealing, disguising, converting, transferring or removing criminal property from anywhere within the UK;
- Entering onto or becoming concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- Acquiring, using or possessing criminal property; and
- Doing something that might prejudice an investigation – for example, tipping off the offender that an investigation has been instigated.

There are also two 'third party' offences:

- Failing to disclose information relating to any of the above money laundering offences; and

- “Tipping off” – informing someone who is, or is suspected of being involved in money laundering activities, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

These money laundering offences may be committed by an organisation or by individuals working for an organisation.

- 4.2** “Criminal Property” has a relatively broad definition in money laundering legislation and no financial ceiling has been specified above which organisations are obliged to take action when money laundering activities are suspected. Benefiting from ‘criminal property’ can work on two levels, an individual benefiting financially from the proceeds of a crime they have committed themselves, or an individual benefiting from the proceeds of a crime/dishonest activities perpetrated by someone else. No matter how large or small the sum of money involved in these dishonest activities, the full weight of the money laundering legislation and regulations will apply regardless of the financial sums identified.

## **5 The legal and regulatory framework and the obligations that it places on the council**

- 5.1** The main laws and regulations which set out the money laundering regulations are:

- The Proceeds of Crime Act 2002 (amended by the Serious Organised Crime and Police Act 2005 and further amended by the Serious Crime Act 2015);
- The Terrorism Act 2000 (amended by the Anti-Terrorism and Security Act 2001 and Terrorism Act 2006 and further amended by the Money Laundering Regulations 2007); and
- The Money Laundering Regulations 2015 (which supersede the money laundering regulations 2007 and 2012).

- 5.2** The Terrorism Act 2000 makes it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism or resulting from acts of terrorism. Under the Terrorism Act 2000, all individuals and businesses in the UK have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for terrorism or its laundering, where it relates to information that comes to them in the course of their business or employment.

- 5.3** The Chartered Institute of Public Finance and Accountancy (CIPFA) issued two sets of guidance on how legal and regulatory provisions impact on public authorities. CIPFA has confirmed that local authorities were not a “relevant business” in terms of the 2003 Money Laundering Regulations and are therefore not required to have systems in place to identify, record and report money laundering.

- 5.4** However, CIPFA has also advised that ‘it is prudent and responsible practice for public service organisations, including those outside the scope of the regulations, to put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in the crimes

described in the legislation and regulations'. There could also be a "substantial reputational risk for an authority which does not have such procedures in place".

**5.5** This policy and the working practices aligned to it have been designed to address the risk the council may face if it does not properly address the potential for money laundering. As a responsible authority, we need to be mindful that a money laundering offence could be committed by an employee, or the council could be a victim of such an offence.

## **6 The council's response**

**6.1** The council is required to:

- Appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from members or employees of money laundering activity (their own or anyone else's);
- Implement a procedure to enable the reporting of suspicions of money laundering; and
- Maintain client identification procedures (see section 7.0) in certain circumstances and maintain records.

## **7 The Money Laundering Reporting Officer**

**7.1** The council has nominated the Chief Financial Officer as the Money Laundering Reporting Officer (MLRO); in their absence, the Head of Audit and Investigations. The Council's Anti-Fraud Manager also has a key role in Anti Money Laundering and can be contacted for advice and information. Their contact details are as follows:

Conrad Hall ([conrad.hall@brent.gov.uk](mailto:conrad.hall@brent.gov.uk)) ext. 6528

## **8 Reporting to the Money Laundering Reporting Officer (MLRO)**

**8.1** **The primary duty of any employee, member or third party under this policy is to ensure** that any suspicions or concerns that money laundering has occurred, or is likely to occur, should be reported to the MLRO as soon as the suspicion arises. The disclosure should be within 'hours' of a suspicious activity coming to an individual officer's attention, rather than several days or weeks later.

Delays or failure to report may leave you personally liable to prosecution.

**8.2** To support the above process, Appendix 1 provides information on the types of activities where the council may be subject to money laundering offences and guidance to staff on situations where money laundering activities could occur.

**8.3** All available information needs to be given to the MLRO to enable them to make an informed judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable them, if appropriate, to prepare a report to the National Crime Agency (NCA), for example:

- Full details of the people involved (including yourself, if relevant) e.g. name, date of birth, address, company names, directorships, phone numbers etc.;

- Full details of the nature of their/your involvement;
- The types of money laundering activity involved. (The MLRO can help identify this);
- The dates of such activity, including whether the transactions have happened, are ongoing or are imminent;
- Where they took place;
- How they were undertaken, and
- The (likely) amount of money/assets.

8.4 Suspensions can be raised through direct contact with the MLRO; however, it is preferable to use the reporting form which has been developed at Appendix 2, and e-mail/ post the completed form to the MLRO.

8.5 The employee, member or third party should not make any further enquiries into the matter themselves and any further action must be with the approval of the MLRO. Those who have raised a concern should ensure that they do not then voice their suspicions to the suspect or tell them that you have reported the transaction. Otherwise you may commit a criminal offence of 'tipping off' which carries a maximum penalty of five years imprisonment and unlimited fine.

8.6 Upon receipt of a disclosure report the MLRO must acknowledge receipt and confirm the timescale within which they expect to respond.

8.7 The MLRO is required to promptly evaluate any concerns/disclosures raised and determine whether they require further investigation and hence referral to the NCA, using the reporting forms included at Appendix 2. The MLRO should not undertake investigations of any concerns themselves. Where legal professional privilege may apply, the MLRO must liaise with the Solicitor of the Council to determine the further action to be taken.

8.8 Where money laundering is suspected the MLRO will report to NCA, by making Suspicious Activity Report and also notify the Monitoring Officer. The MLRO may also report to other senior officers, but any such further reporting will be limited to a "need to know" basis in order to avoid the risk of compromising an investigation.

8.9 In some cases, it may be necessary to seek approval from NCA before the council can undertake any further activity in respect of the transaction. Where the MLRO has made such a referral to NCA, they will notify the person raising the concern, and again inform the individual when NCA has provided permission for the transaction to proceed.

8.10 If a request for consent has been made to NCA, no action should occur for a period of 7 days or until NCA gives consent. If this results in a transaction having to be deferred or delayed, it should be carefully handled to ensure that the customer is not tipped off as to the money laundering concern.

8.11 After 7 days, if NCA does not notify otherwise, they are deemed to have given consent to the transaction. If NCA instead notifies they refuse to give consent, they have a further 31 calendar days to take action, a moratorium period of 31 days starts on the day the council receives the refusal notice. During this period, the council cannot proceed with the matter for which the consent was applied. At the expiry of the 31 days if we have not

heard anything, NCA is deemed to have consented to the request and the council can proceed.

8.12 The MLRO should retain the details of any referrals made, including correspondence with the necessary bodies, using the forms included in Appendix 2. All information should be retained for a minimum of 6 years.

8.13 To ensure the council minimises the risk of tipping off, and to minimise any reputational damage should the suspicion be unfounded, the confidentiality of the matter will be respected at all times; the MLRO will only inform anyone of the suspicion where there is a genuine business need.

## **10 Training**

10.1 The Council will take appropriate measures to ensure that all high risk employees mentioned in this document, are made aware of the law relating to money laundering and will arrange targeted, ongoing training to key individuals most likely to be affected by the legislation.

## **11 Further Information**

11.1 Further information can be obtained from the MLRO and the following sources:

- [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk) – website of the National Crime Agency;
- [HMRC.gov.uk](http://HMRC.gov.uk);
- Anti-Money Laundering (Proceeds of Crime and Terrorism) – Second Interim Guidance for Accountants, published by CCAB at [www.ccab.org.uk](http://www.ccab.org.uk);
- Money Laundering Guidance at [www.lawsociety.org.uk](http://www.lawsociety.org.uk), and
- The Money Laundering Regulations 2012 at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk).

## **12 Review of the Policy**

12.1 The policy will be reviewed at least every three years, by the Money Laundering Reporting Officer and Head of Audit and Investigations (or more frequently if required by changes to statutory legislation) and approved by Audit Committee. Subsequent to any approval, the following parties shall be consulted:

- Senior Council Officers responsible for receiving suspicions of money laundering activities; and
- The council's Corporate Management Team.

12.2 On an annual basis, section 7 of the policy, which provides details of the key parties responsible for money laundering reporting activities, shall be reviewed by the Money Laundering Reporting Officer and the Head of Audit and Investigations to ensure that details remain relevant and up to date. This review will not require re-endorsement of the policy.

## **APPENDIX 1**

How the council may be exposed to Money Laundering

### **1 Guidelines to staff and members on concerns or suspicions**

**1.1** It is anticipated that the most likely scenario in which a money laundering issue may arise is where officers unwittingly become concerned or involved in an arrangement which we know or suspect enables criminal property to be retained or acquired by a third party.

**1.2** If you do have any suspicions or concerns about an individual or transaction then it is always better to raise those concerns appropriately. If necessary, you may wish to use the council's Whistleblowing Policy for further support and guidance on how to raise a concern. Conversely, if in doubt, seek advice from the MLRO.

**1.3** Although some offences and suspicions may be fairly apparent, some can be more difficult to identify. The simple guidance is to be vigilant, and not be afraid to question something if you don't think looks right. If you think something looks suspicious, then the probability is someone else may also think the same. It is better for the council to be safe when handling public money – it would not reflect well on the council's reputation if it was found we had taken monies that were obtained through theft, drug trafficking, terrorism, etc.

**1.4** It is recognised that a lot of the council's activities are sensitive in nature, and in cases what, to some people, may be suspicious or concerning behaviour, from a money laundering perspective may not necessarily be in line with the activity occurring. However, people should always be mindful of genuine concern and suspicion.

### **2 The types of activities that may be affected**

**2.1** The following list sets out the types of activities that might be suspicious, and how the Council may come across those activities. It is not intended to be exhaustive, and just because something you are suspicious about is not on the list, it doesn't mean you shouldn't report it.

The types of activity that may be affected:

- New customers with high value transactions;
- Selling property to individuals or businesses;
- Renting out property to individuals or businesses;
- Entering into other lease agreements;
- Undertaking services for other organisations;
- Secretive clients;
- Housing Benefit claimants who have sums of money entering into/out of their bank account (even if we do not award them benefit, we should still consider money laundering implications);
- People buying or renting property from the council who may not want to say what it is for;
- People receiving grant funding who refuse to demonstrate what funding was used for.



- Customers who we think are acting dishonestly or illegally;
- People paying for council services who do not provide details about themselves;
- People making odd or unusual requests for payment arrangements;
- Illogical transactions;
- People paying in cash then requesting refunds;
- Requests for the council to pay seemingly unconnected third parties in respect of goods/services provided to the council;
- Requests for the council to pay in foreign currencies for no apparent reasons.

Payments of substantial sums by cash:

- Large debt arrears paid in cash;
- Refunding overpayments;
- Deposits/payments for property.

Movement of funds overseas:

- Requests to pay monies overseas, potentially for “tax purposes”.

Cancellation of earlier transactions:

- Third party “refunds” grant payment as no longer needed/used;
- No payment demanded even though goods/service has been provided;
- Sudden and unexpected termination of lease agreements.

Requests for client account details outside normal course of business:

- Queries from other companies regarding legitimacy of customers;
- Council receiving correspondence/information on behalf of other companies.

Extensive and over-complicated client business structures/arrangements:

- Requests to pay third parties in respect of goods/services;
- Receipt of business payments (rent, business rates) in settlement from seemingly unconnected third parties.

Poor accounting records and internal financial control:

- Requests for grant funding/business support indicates third party not supported by financial information;
- Companies tendering for contracts unable to provide proper financial information/information provided raises concerns;
- Tender for a contract which is suspiciously low.

Unusual property investments or transactions:

- Requests to purchase council assets/land with no apparent purpose;
- Requests to rent council property with no apparent business motive.

Overcomplicated legal arrangements/multiple solicitors:

- Property transactions where the council is dealing with several different parties.

## **APPENDIX 2**

### **MONEY LAUNDERING REPORT FORM**

#### **Employee Details**

Name \_\_\_\_\_  
Department/Section \_\_\_\_\_  
Date Reported \_\_\_\_\_  
Contact Details \_\_\_\_\_

#### **Offence Details**

Identities of the person(s)/company(s) subject to the enquiry  
Address and contact details of the subject

Nature and details of the activity – please include whether this has already occurred or is likely to occur, where/when this occurred and how it arose – please continue on another sheet if necessary. Please include details of all transactions.

Investigations – has any investigation already occurred? If so, please detail below.

Discussions – have you discussed your suspicions with anyone – including any advisory bodies?

Disclosure – is there any reason why you believe this should not be disclosed to NCA?

Further Information – if there is any further information you believe to be relevant, please include here:

Signed \_\_\_\_\_  
Date \_\_\_\_\_

This form should now be passed directly to the Money Laundering Reporting Officer

### **MONEY LAUNDERING DISCLOSURE FORM – TO BE COMPLETED BY THE MONEY LAUNDERING REPORTING OFFICER**

Date of report being made \_\_\_\_\_  
Subject of investigation \_\_\_\_\_

Will this matter be reported to NCA? \_\_\_\_\_

Date of report to NCA \_\_\_\_\_  
If this is not being reported, why not? \_\_\_\_\_  
Officer Referring Customer \_\_\_\_\_  
Contact Details for Officer \_\_\_\_\_  
Is consent required from NCA for transaction to occur? Yes / No  
If so:  
Contact details of NCA liaison \_\_\_\_\_  
\_\_\_\_\_

Has consent been received within 7 days? Yes / No  
After 7 days, has notification been given to employee? Yes / No  
Has consent been denied by NCA? Yes / No  
After moratorium, has notification been given to employee? Yes / No  
Can the council proceed with the transaction? Yes / No  
Signed \_\_\_\_\_  
Name \_\_\_\_\_  
Date \_\_\_\_\_

**CUSTOMER DUE DILIGENCE FORM – PRIVATE INDIVIDUAL  
TO BE COMPLETED BY THE MONEY LAUNDERING REPORTING OFFICER**

Officer referring customer \_\_\_\_\_  
Contact details for officer \_\_\_\_\_  
Name of individual \_\_\_\_\_  
Address \_\_\_\_\_  
\_\_\_\_\_

Date of Birth \_\_\_\_\_  
Telephone number \_\_\_\_\_  
E-mail address \_\_\_\_\_  
Summary of Transactions and role of the individual  
Evidence of Identity obtained: (photocopies of all evidence should be attached to this form)  
Face to Face Contact? Yes / No  
Is the Client Politically Exposed? Yes / No  
Is the transaction by nature high risk? Yes / No  
Is further enhanced verification required (if yes to any of the above three questions,  
enhanced verification is required) Yes / No  
If enhanced verification required, please detail all checks performed:  
Can the Council proceed with the transaction? Yes / No  
Signed \_\_\_\_\_  
Date \_\_\_\_\_

**CUSTOMER DUE DILIGENCE FORM – BUSINESS**

**TO BE COMPLETED BY THE MONEY LAUNDERING REPORTING OFFICER**  
Officer referring customer \_\_\_\_\_  
Contact details for officer \_\_\_\_\_  
Name of business \_\_\_\_\_

Purpose of business \_\_\_\_\_

Companies House Registration Number \_\_\_\_\_

Registered business address

\_\_\_\_\_

\_\_\_\_\_

Telephone number \_\_\_\_\_

E-mail address \_\_\_\_\_

Type of organisation (PLC, LLC, Sole trader etc) \_\_\_\_\_

Who are the Companies Directors – are there any beneficial owners (i.e. any person / company who owns more than 25% of the company in question)

Date of first contact with Company \_\_\_\_\_

Nature of transaction with company

\_\_\_\_\_

Please attach details of all checks undertaken to verify the evidence of this company.

Can the Council proceed with the transaction? Yes / No

Signed \_\_\_\_\_

Date \_\_\_\_\_