



Audit and Standards Advisory Committee

Wednesday 10 July 2019 at 6.00 pm

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

Membership:

Members

David Ewart (**Chair**)

Councillors:

A Choudry (**Vice-Chair**)
Donnelly-Jackson
Hassan
Long
Naheerathan
Nerva
Kansagra

Substitute Members

Councillors:

S Choudhary, Colacicco, Kabir, Lo and Perrin

Councillors:

Colwill and Maurice

Independent Members

Margaret Bruce
Robert Cawley
Karen McArthur

Independent Advisor

Vineeta Manchanda

For further information contact Kunwar Khan, Governance Officer, Tel: 020 8937 2037; Email: kunwar.khan@brent.gov.uk

For electronic copies of minutes, reports and agendas, and to be alerted when the minutes of this meeting have been published visit:

www.brent.gov.uk/committees

The press and public are welcome to attend this meeting

Notes for Members - Declarations of Interest:

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

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

If the Personal Interest is also significant enough to affect your judgement of a public interest and either it affects a financial position or relates to a regulatory matter then 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 of 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 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 is the subject of a registrable personal interest.

Agenda

Introductions, if appropriate.

1 Apologies for absence and clarification of alternate Members

2 Declarations of Interest

Members are invited to declare at this stage of the meeting, the nature and existence of any relevant disclosable pecuniary or personal interests in the items on this agenda and to specify the item(s) to which they relate.

3 Deputations (if any)

To hear any deputations received from members of the public in accordance with Standing Order 67.

4 Minutes of the previous meeting 1 - 4

To approve the minutes of the previous meeting as a correct record.

5 Matters arising (if any)

To consider any matters arising from the minutes of the previous meeting.

STANDARDS ITEMS

6 Quarterly update on Gifts and Hospitality 5 - 12

The report updates the Audit and Standards Advisory Committee on gifts and hospitality registered by Members

Ward Affected: All Wards

Contact Officer: Debra Norman, Director of Legal and HR Services
020 8937 1578, Debra.Norman@brent.gov.uk

AUDIT ITEMS:

7 Internal Audit Annual Report 2018/19 13 - 28

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

Ward Affected: All Wards
Contact Officer: Michael Bradley, Head of Audit and Investigations
020 8937 6526, Michael.Bradley@brent.gov.uk

8 Treasury Management Out-turn Report 2018/19

29 - 42

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

Ward Affected: All Wards
Contact Officer: Daniel Omisore, Head of Finance
020 8937 3057, Daniel.Omisore@brent.gov.uk

9 Statement of Accounts 18/19 and the External Auditor's Audit Findings Reports - To Follow

The Audit and Standards Committee has responsibility for considering issues raised by the external auditors as part of the process of approving the annual statement of accounts. The Committee is asked to review the reports from the external auditor:

- Brent Council Audit Findings Report.
- Brent Council Pension Fund Audit Findings Report.

In considering the Council's annual statement of accounts, together with, audit findings report, the Committee is asked to:

- consider the key issues and recommendations
- approve the statement of accounts
- approve the letter of representation to the external auditor

Ward Affected: All Wards
Contact Officers: Minesh Patel, Finance Director (Brent Council)
020 8937 4043, Minesh.Patel@brent.gov.uk

Sophia Brown and Paul Dossett (Grant Thornton)
020 7728 3180 / 0207728 3179
Sophia.Y.Brown@uk.gt.com
Paul.Dossett@uk.gt.com

Reports to follow in supplementary agenda pack

10 Review the performance of the Committee (self-assessment) 43 - 46

To self-assess the effectiveness of the Committee building on the training workshop held after the last meeting facilitated by a CIPFA trainer.

Ward Affected: All Wards

Contact Officer: Michael Bradley, Head of Internal Audit and Investigation
020 8937 6526, Michael.Bradley@brent.gov.uk

11 Annual Counter Fraud Report 47 - 56

This report provides an annual summary of the counter fraud work undertaken for the period 1st April 2018 to 31st March 2019 and asks the Committee to note its content.

Ward Affected: All Wards

Contact Officer: Michael Bradley, Head of Audit and Investigations
020 8937 6526, Michael.Bradley@brent.gov.uk

12 Forward Plan and Agenda items for the next meeting 57 - 58

To review and note the Committee's Forward Plan.

Ward Affected: All Wards

Contact Officer: Kunwar Khan, Governance Officer
0208 937 2037, Kunwar.Khan@brent.gov.uk

13 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: Thursday 26 September 2019



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

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MINUTES OF THE AUDIT AND STANDARDS ADVISORY COMMITTEE **Wednesday 24 April 2019 at 6.00 pm**

PRESENT: Mr David Ewart (Independent Chair), Councillor A Choudry (Vice-Chair), Naheerathan, Nerva and Long

Independent (co-opted) Members: Margaret Bruce

Independent Advisor: Vineeta Manchanda

Also Present: Nigel Shock (Independent Person)

1. Apologies for absence and clarification of alternate members

The following apologies for absence were received:

- Councillor Donnelly-Jackson (with Councillor Long attending as a substitute)
- Robert Cawley (Independent co-opted Member)
- Karen McArthur (Independent co-opted Member)
- Keir Hopley (Independent Person)

2. Declarations of Interest

None received.

3. Deputations (if any)

There were no deputations.

4. Minutes of the previous meeting

RESOLVED that the minutes of the Audit and Standards Advisory Committee held on Wednesday 20 March 2019 be approved as an accurate record.

5. Matters arising (if any)

The following issues were noted in relation to Matters Arising from the minutes of the Audit and Standards Advisory Committee held on 20 March 2019:

Minute 5: Matters Arising – Lender Option Borrower Option Loans (LOBO)

Conrad Hall (Chief Finance Officer) advised that no further update had been received from KPMG in relation to the outstanding objection raised on the Council's Accounts.

Minute 8: Draft Internal Audit and Investigation Annual Plan 2019/20 – Audit 6 (Voluntary Sector Funding)

Carolyn Downs (Chief Executive) confirmed that the outcome of the review relating to voluntary and community sector needs and support had been presented to Cabinet on 15 April 19. A copy of the Cabinet report would be provided for all members of the Audit & Standards Advisory Committee.

Minute 10: Review of the use of the Regulation of Investigatory Powers Act (RIPA) Powers in 2018

In response to further details being sought on the reasons for RIPA powers not being used to tackle issues around the sale of knives, Carolyn Downs advised that the current focus was on the use of Trading Standards rather than RIPA powers to regulate the sale of knives, including the ability to undertake test purchases both in shops and via the internet.

6. External Audit Progress Report and Sector Update

The Committee received a report from the Council's External Auditors (Grant Thornton) setting out the progress in delivering their external audit responsibilities to the Council and also providing an overview of emerging national issues and developments relevant to Brent as a local authority.

The report was introduced by Paul Dossett (Grant Thornton Engagement Lead) who highlighted the following key issues:

- The progress being made in relation to the 2018/19 Financial Statements and Value for Money Audits. Interim work had now been completed on the Financial Statements and Accounts with no issues having been identified at this stage for the attention of the Committee. The final Audit findings (including the value for money conclusion) would be presented to the Committee in July, with the final audit opinion due to be issued by the 31st July 2019.
- The programme of 2018/19 audit deliverables.
- The results of the interim External Audit work along with the impact of the findings on the accounts audit approach, with the Committee noting as a further area for consideration the approach in relation to validation of housing stock;
- Planned 2018/19 audit timeline.
- The External Audit commitment from Grant Thornton, attached as Appendix 1 to the report.

In addition, the Committee's attention was drawn to the sector update which provided an up to date summary of emerging national issues and developments and included updates in relation to the following areas:

- Public Sector Audit Appointments (PSAA) report on Auditors work 2017/18;
- National Audit Office (NAO) Local Auditor report 2018 along with an outline of the reports they had produced in relation to Local Authority Governance, Planning for New Homes and Pressure on Children's Social Care;
- CIPFA revised Financial Resilience Index Plans and Social Care risk tool; and

- The arrangements and preparations in relation to planning for Brexit.

The Committee thanked Paul Dossett for the update provided and **RESOLVED** to note the Audit Progress report and Sector Update.

7. Annual Governance Statement

The Committee received a report from the Chief Finance Officer setting out the draft Annual Governance Statement (AGS) for 2018/19, as required under the Accounts and Audit Regulations 2015.

In considering the report the Committee noted:

- The seven core governance principles introduced by CIPFA upon which the review of governance arrangements and production of the AGS had been based, as detailed in section 3.4 of the report;
- The one item identified as a significant governance issue during 2018/19 which had related to a review of Accounts Payable as a result of a fraud investigation and led to a number of management actions being taken to address the control issues identified;
- The importance of the AGS in outlining the Council's framework of control in relation to its Governance arrangements and in terms of managing risk.

Members were advised that they were being invited to comment on the draft AGS in advance of its formal consideration and approval by the Audit and Standards Committee. The following issues were raised:

- (a) Members identified a need to ensure that the governance arrangements included reference to the company structure established by the Council and associated control mechanisms in place, given the specific governance requirements under which each company operated;
- (b) Members were advised that no further significant changes had been identified as part of the annual update of the AGS. The Committee supported the increased focus on risk management and anti-fraud activity and were pleased to note the review of effectiveness as an ongoing process providing a clear oversight on governance related issues.

As no further issues were highlighted the Advisory Committee **RESOLVED** to endorse, subject to the comments above, the draft 2018/19 Annual Governance Statement for reference on to the Audit and Standards Committee for formal approval.

8. Any other urgent business

8.1 Advisory Committee Work Programme

The Committee noted the 2019/2020 Work Programme which had been circulated to all members in advance of the meeting via email. Members were asked to feedback any comments on the outline programme of work to James Kinsella (Governance Manager) and it was **RESOLVED** that the Work Programme be included for ongoing review as an agenda item for all future meetings.

8.2 Vote of Thanks – Conrad Hall (Chief Finance Officer)

David Ewart (Chair) advised members that this would be Conrad Hall's final meeting prior to him moving to take up his new position at the London Borough of Newham. He therefore took the opportunity, on behalf of the Committee, to formally thank Conrad for his support to not only the Committee but also the Council as a whole and to pass on his best wishes for the future.

These comments were fully support by Councillor Choudry (as Vice-Chair) who highlighted the clear guidance and support which had been provided by Conrad in relation to the Council's finances during challenging times, which he advised had been much valued and appreciated by all Members.

The meeting closed at 6.19 pm

DAVID EWART
Chair

 Brent	Audit and Standards Advisory Committee 10 July 2019
	Report from the Director of Legal, HR, Audit and Investigations
Quarterly Update on Standards (Gifts & Hospitality and mandatory training)	

Wards Affected:	All
Key or Non-Key Decision:	Not applicable
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	Two 1) Appendix A – Gifts & Hospitality register 2) Appendix B – Member training Attendance record
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	(1) Debra Norman, Director of Legal, HR, Audit & Investigations (ext. 1578) (2) Bianca Robinson, Senior Constitutional & Governance Lawyer (ext. 1544)

1.0 Purpose of the Report

- 1.1 The purpose of this report is to update the Audit and Standards Advisory Committee on (1) gifts and hospitality registered by Members and (2) the attendance record for Members in relation to mandatory training sessions.

2.0 Recommendations

- 2.1 That the Committee note the contents of the report.
- 2.2 That the Committee considers what further steps could be undertaken to improve the attendance record for Members in relation to mandatory training sessions.

3.0 Detail

Gifts and Hospitality

- 3.1 Members are required to register gifts and hospitality received in an official capacity worth an estimated value of at least £50. This includes a series of gifts and hospitality from the same person that add up to an estimated value of at least £50 in a municipal year.
- 3.2 Gifts and hospitality received by Members are published on the Council's website and open to inspection at Brent Civic Centre. A list of gifts and hospitality registered by Members from 22 February to 25 June 2019 is attached at Appendix A.
- 3.3 Hospitality accepted by the Mayor in her/his civic role is recorded separately and published on the Council's website.

Member Training Attendance

- 3.4 In accordance with this Committee's terms of reference, it is required "*to consider and to make recommendations to the Monitoring Officer, Audit and Standards Committee or Full Council as appropriate in relation to:*
 - *the Council's obligation to promote and maintain high standards of conduct by Members and co-opted members;*
 - *the operation an effectiveness of, and compliance with, the Brent Members' Code of Conduct (the Code);*
 - *advice and assistance to members and co-opted members on how to observe the Code".*
- 3.5 Furthermore, it is a requirement of the Code that all members' "*must attend mandatory training sessions on this Code or Members' standards in general, and in accordance with the Planning Code of Practice and Licensing Code of Practice*".
- 3.6 Since May 2018, all internal training sessions attended by Members are published on the Council's Website and on individual Member profile pages.
- 3.7 There are four mandatory training sessions provided for all Members – identified in Table 1 below. Five mandatory sessions are provided for Committee Members and, where appropriate, co-opted members. These sessions are provided annually and all committee members and substitutes are required to attend the relevant session. In addition, all other Members are invited to attend the sessions.

The schedule for all mandatory sessions is published and approved in the Council calendar at the May Annual General meeting.

Table 1

Mandatory Training	Attendee requirement	Number of Training Sessions organised from May 2018-October 2019
1) Standards and the Code of Practice	All Members	5
2) Corporate Parenting & Safeguarding Children	All Members	3
3) Safeguarding vulnerable adults	All Members	2
4) Equalities Training	All Members	2
5) Planning	Committee Members only	2
6) Alcohol and Entertainment Licensing	Committee Members only	2
7) Scrutiny induction	Committee Members only	2
8) Audit & Standards Committee and the Audit & Standards Advisory Committee induction training	Committee Members only	2
9) Brent Pensions Fund – Approach to responsible investment	Committee Members only	2

3.8 By way of an overview:

Mandatory all member sessions:

- 18 Members need to attend the Safeguarding vulnerable adults training – no repeat session is currently planned.
- 16 Members need to attend the Corporate Parenting & Safeguarding – a repeat session is planned for 9 October 2019
Children training
- 12 Members need to attend the Equalities Training – a repeat session is planned for October / November 2019.
- 3 Members need to attend the Standards and the Code of Conduct training (a repeat session is planned for July 2019).

Committee Member mandatory sessions:

- 8 Members / substitute members need to attend the Audit & Standards Committee and the Audit & Standards Advisory Committee induction training.
- 9 Members need to attend the Scrutiny induction training.
- 7 Members / substitute members need to attend the Brent Pensions Fund – Approach to responsible investment training.
- 3 Members / substitute members need to attend the Alcohol and Entertainment Licensing training.
- 2 substitute Members need to attend the Planning training.

- 3.9 For all training sessions reminders are sent via email, calendar invitations, text messages and, on some occasions, direct telephone calls to Members. Re-run(s) of sessions have been scheduled from September 2018 for Members who could not attend the originally listed training session and sessions are scheduled to take account of personal circumstances like work commitments, child care arrangements etc. Detailed attendance records for mandatory training sessions are maintained and published as stated above. A summary setting out the sessions of mandatory training members still need to attend since May 2018 is attached as Appendix B. This Committee is invited to consider what further steps could be undertaken to improve the attendance records of some Members.
- 3.10 In the case of Planning and Licensing Committee membership and the Adoption and Permanency and the Fostering Panels, no special responsibility allowance that would otherwise be applicable can be received under the Members' Allowances Scheme if the relevant mandatory training has not been attended.

4.0 Financial Implications

- 4.1 There are no financial implications arising out of this report.

5.0 Legal Implications

- 5.1 The Council, individual Members and co-opted Members are required to promote and maintain high standards of conduct in accordance with s27 of the Localism Act 2011. The attendance at mandatory training sessions is a means to achieve this and a requirement pursuant to the Brent Members' Code of Conduct.

6.0 Equality Implications

- 6.1 There are no equality implications arising out of this report.

7.0 Consultation with Ward Members and Stakeholders

- 7.1 Not applicable.

8.0 Human Resources/Property Implications (if appropriate)

- 8.1 Not applicable.

Report sign off:

Director of Legal, HR, Audit & Investigations

Appendix A - Gift & Hospitality Register


Gifts and Hospitalitys (22 February - 25 June 2019)

Councillor	Date of gift	Gift received	Value	From
Muhammed Butt	22/03/2019	Invitation to Attend Asian Business Awards.	Estimated value £50.	Received from the Asian Media Group
	18/05/2019	Two tickets for the FA Cup final	Estimated value £80 each.	Received from the Football Association.
	19/06/2019	Three tickets for Spice Girls concert.	Estimated value £80 each.	Received from Anthony Angol, Community and CSR Manager, the FA Group, Wembley Stadium.
Ernest Ezeajughi	18/05/2019	Four tickets for the FA Cup Final	Estimated value £80 each.	Received from the Football Association.
Krupesh Hirani	02/04/2019	Invitation to the Asian Business Awarads on 22/3/19.	Estimated value £50.	Received from the Asian Media Group
Ketan Sheth	02/03/2019	A book - "In Essence".	Estimated value £9.99.	Received from the Bhaktivedanta Book Trust.
	04/03/2019	A book - "Word Food"s by Dr Joan St John & Ors.	Estimated value £12.99.	Received from Dr Joan St John (Brent GP and member of Brent Integrated Diabetes Service, London North West University Healthcare NHS Trust)
	07/03/2019	Invitation to the Asian Voice Political and Public Life Awards at the House of Commons on 7/3/19.	Estimated value £25.00	Received from the Asian Voice (Asian Business Publications Ltd)
	15/03/2019	Invitation to the Staff Excellence Awards Ceremony at the Wembley Stadium on 15/3/19.	Estimated value £50.00.	Received from the London North West University Healthcare NHS Trust
	23/03/2019	Invitation to the Holi Festival at the Riverside Venue, Hounslow on 23/3/19.	Estimated value £50.00.	Received from the High commission of India, London
	03/04/2019	A signed book, "Carbs & Cals Word Foods" by Salma Mehar & Ors, received on 3/4/19.	Estimated value £12.99.	Received from Ms Salma Mehar (Brent Integrated Diabetes Service, London North West University Healthcare NHS Trust)
	15/05/2019	Invitation to the Evening of Celebrations of the 21st anniversary of One Stop Caribbean and launch of the restaurant, 17 High Street Harlesden London NW10, followed by a dinner on 15/5/19.	Estimated value £25.00	Received from One Stop (Mr Nas & Mrs Sophia Hall)
	17/05/2019	Invitation to the Asian Voice Charity Awards at The London Hilton on Park Lane, London W1 on 17/5/19.	Estimated value £200.00	Received from the Asian Voice (Asian Business Publications Ltd)
	25/05/2019	Invitation to launch the book "Master on Masters" by Ustad Amjad Ali Khan on 25/5/19 at the Nehru Centre, South Audley Street London W1. .	Estimated value £50.00	Received from the High commission of India, London
	31/05/2019	Two tickets for the Evening of Musical Exchange with Amaan Ali Bangash, Ayaan Ali Bangash and Jennifer Pike at the Wigmore Hall, London on 31/5/19.	Estimated value £50.00.	Received from Ustad Amjad Ali Khan & Family.
	26/06/2019	Invitation to a tea party on the occasion of the 20th anniversary of ACAD Centre, Central Middlesex Hospital on 19/6/19.	Approximate value £5.00.	Received from the London North West University Healthcare NHS Trust
	26/06/2019	Invitation to the Atul Pathak Community Awards at the Terrace Pavilion, House of Commons on 19/6/19.	Approximate value £25.00.	Received from Appt Corporation

	26/06/2019	Book, Pass it on...Voices from Wembley Park, on 25/6/19.	Value £30.00.	Received from Wembley Park Ltd
Shama Tatler	05/06/2019	Silk scarf (donated to the Mayor's charity).	Estimated value £25.	Received from the Fashion Institute of Beijing as part of a visiting delegation from the People's Government of Beijing Municipality of China
	12/06/2019	Invite to Estates Gazette Dinner during London Real Estate Forum (12/06/19).	Estimated value £40.	Received from the London Real Estate Forum.

Corporate Parenting and Safeguarding Children	Equalities Training	Planning	Scrutiny Induction	Standards and the Code of Conduct	Alcohol & Entertainment Licensing	Brent Pension Fund - Approach to Responsible Investment	Audit and Standards Committee and the Audit and Standards Advisory Committee Induction Training	Safeguarding Vulnerable Adults Training
Mandatory All	Mandatory All	Mandatory for Committee Members ONLY	Mandatory for Committee Members ONLY	Mandatory to All Members	Mandatory for Committee Members ONLY.	Mandatory for Committee Members ONLY.	Mandatory for Committee Members ONLY.	Mandatory for All Members
Councillors Yet To Attend a Mandatory Training Session								
Abdi	Abdi	Kansagra	Aden	Colacicco	Allie	Abdi	Colwill	Abdi
Aden	Aden	Lo	Butt, Saqib	Crane	Kennelly	Colwill	Donnelly-Jackson (Cllr as of 22-06.2018)	Aden
Allie	Ahmed		Colwill	Mashari	Patel, Ramesh	Marquis	Hassan	Allie
Chappell (Cllr as of 22-06.2018)	Chan		Ethapemi	Naheerathan		Maurice	Kansagra	Chan
Crane	Crane		Gill	Pavey		McLeish	Lo	Chohan
Daly	Daly		Kabir			Naheerathan	Maurice	Crane
Denselow	Kansagra		Kansagra			Stephens	Nerva	Daly
Ethapemi	Marquis		Maurice				Stephens	Gill
Hassan	Naheerathan		Nerva					Hassan
Kelcher	Nerva							Kelcher
Marquis	Pavey							Kennelly
Mashari								Lo
Maurice								Marquis
McLeish								Maurice
Pavey								McLeish
Perrin								Naheerathan
								Patel, Ramesh
								Pavey
16	11	2	9	5	3	7	8	18

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 <p>Brent</p>	<p>Audit and Standards Advisory Committee 10 July 2019</p> <p>Report from the Director of Legal, HR, Audit and Investigations</p>
<p>For Information</p>	<p>Wards Affected: ALL</p>
<p>Report Title: Internal Audit Annual Report – 2018/19</p>	

1. Summary

- 1.1. This report includes an opinion on the overall adequacy and effectiveness of the Council's internal controls and presents a summary of the Internal Audit work undertaken during the year.

2. Recommendations

- 2.1. The Audit and Standards Advisory Committee note the content of the report.

3. Detail

- 3.1. The Accounts and Audit Regulations 2015 require the Council to undertake an internal audit of its control systems, taking into account the Public Sector Internal Audit Standards (PSIAS). These require the Head of Audit to deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement. The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must incorporate:

- the opinion;
- a summary of the work that supports the opinion, and
- a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Opinion of the Head of Audit and Investigation

- 3.2. This report gives a summary of the work carried out by Internal Audit in 2018/19. From the work undertaken during the year, my overall opinion on the Council's system of internal control is that:

I have considered all of the work conducted by Internal Audit for the year ended 31 March 2019.

In my opinion, with the exception of those areas in which limited or no assurance reports have been issued (as set out below), the controls in place in those areas reviewed are adequate and effective.

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

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

In relation to risk management, I have oversight of the risk management process and conclude that a range of significant risks for the authority have been identified and are being managed.

Summary of Work Undertaken

- 3.3. The 2018/19 Audit Plan was approved by the Audit and Standards Advisory Committee on 20 March 2018. The plan had a total of 60 audits (excluding follow up reviews, schools audits and advisory work). The plan has been delivered via an in-house team in partnership with a contracted service from PWC.
- 3.4 We have liaised with senior management throughout the year to ensure that internal audit work focuses on high risk areas and, in light of new and ongoing developments in the organisation, ensure the most appropriate use of resources. As a result of this, some changes were agreed and made to the plan during the year:

Internal Audits	Number
Additions to plan during year	2
Completed	35
In progress - draft reports issued to management	1
In progress - fieldwork	5
Deferred to 2019/20	8
Cancelled	11
Schools	13
Follow Up Reviews	42

- 3.5 Audit work focused on the reliability of the financial and operational information, management accounting controls, safeguarding of assets, economy and efficiency of operations and review of compliance with relevant statutes and Council regulations.
- 3.6 For each audit where controls have been analysed, an assurance statement is

issued. This simple grading mechanism provides an indication of the level of confidence in the controls in operation and the extent to which they are being applied. Each category is defined below:

Substantial	There is a sound system of internal control designed to achieve the client's objectives. The control processes tested are being consistently applied.
Reasonable	While there is a basically sound system of internal control, there are weaknesses, which put some of the client's objectives at risk. There is evidence that the level of non-compliance with some of the control processes may put some of the client's objectives at risk.
Limited	Weaknesses in the system of internal controls are such as to put the client's objectives at risk. The level of non-compliance puts the client's objectives at risk.
No	Control processes are generally weak leaving the processes/ systems open to significant error or abuse. Significant non-compliance with basic control processes leaves the processes/ systems open to error or abuse.

- 3.7 There has been an improvement on 2017/18 in the percentage of 'Substantial' and 'Reasonable' opinions. The proportion of systems receiving 'Limited' or 'No' opinions (one audit conclusion of 'No' assurance) has reduced. The audit plan is directed at areas of inherent risk and/or where concern has been raised by management - therefore this can distort the overall assurance picture.

The amount of 'consultancy' work undertaken has increased slightly. This is part of our revised approach which is intended to provide Internal Audit input when systems and processes are changing rather than after implementation.

	Substantial	Reasonable	Limited/No	Consultancy
2018/19	11%	43%	20%	26%
2017/18	4%	41%	31%	24%
2016/17	2.5%	60%	35%	2.5%
2015/16	0%	63%	31%	6%
2014/15	3%	66%	28%	3%

- 3.8 The following table shows the completed audits and their levels of assurance (where applicable) during the 2018/19 financial year. Key themes are captured below. A 'Limited' or 'No' assurance level indicates that there were risk exposures which hadn't previously been identified. The audit is intended to identify these and assist management in identifying cost-effective actions to mitigate these issues. Management have engaged fully with audit in identifying these areas and then in undertaking and concluding the mitigation work.

Audit	Assurance Opinion
Key Financials	
Budgetary Control	Consultancy
Income Management	Limited
Accounts Payable	Consultancy
Supplier Registration	Limited
Accounts Receivable	Reasonable
Community and Wellbeing	
Libraries – Stock Control	Reasonable
Direct Leasing	Reasonable
Children and Young People	
Unaccompanied Asylum Seeking Children	Reasonable
Looked After Children	Substantial
Schools Monitoring	Reasonable
Children In Need	Reasonable
Virtual School	Substantial
Regeneration and Environmental Services	
Building Control	Reasonable
Barham Park Accounts	Consultancy
Licensing	Limited
Trading Standards	Reasonable
Community Safety	Substantial
Aboriculture	Reasonable
Footways Business Case	Consultancy
Resources	

Benefits – Risk Based Verification	Reasonable
Staff Performance Management	Consultancy
IT Device Provision Project Assurance	Consultancy
Northgate Housing Application	Limited
Mosaic Application	Limited
Council Tax and Associated IT Transition Project	Consultancy
Property Payments	Consultancy
Property Asset Register	No Assurance
Corporate/Cross Cutting	
Gifts & Hospitality/Declarations of Interest	Reasonable
Health and Safety	Limited
Use of Social Media/RIPA	Reasonable
Data Security	Reasonable
Corporate Governance – Decision Making Process	Reasonable
Emergency Planning	Substantial
Performance, Policy & Partnership	
Digital Strategy	Reasonable
I4B	
Financial Model Review	Consultancy

- 3.9 Further details on the audits resulting in a 'Limited' or 'No' Assurance opinion can be found in Appendix A. Where high risk issues were raised on audits with a 'Reasonable' opinion, these can be found in Appendix B.
- 3.10 Audits where the opinion is shown as 'Consultancy' were reviews conducted as a result of a management request for advice or assistance on developing systems and processes. The organisation is faced with developing an increasingly efficient system of internal control that is risk-focused and Internal Audit have a key role in ensuring management are supported in achieving this and to respond to requests for assistance.
- 3.11 Key themes identified across audits were:

- Programme and Project Management including methodology and assurance;
- Policies and Procedures including missing or out-of-date processes and procedures, and
- Operational risk management in services including the escalation of risks.

3.12 Internal Audit also completed a number of grant claim certifications for the Troubled Families Programme.

Follow up Reviews

3.13 As part of the audit process, follow-up reviews are carried out to ensure that agreed management actions in respect of significant risks have been implemented. This process continued through 2018/19.

3.14 During the year 42 follow-up reviews were completed which included seeking evidence that 409 management actions had been implemented as agreed. The results of which were:

Action Status	Number
Implemented	269
Partially Implemented	49
Not Implemented	32
No Longer Relevant	59

3.15 Where actions remain partially or not implemented, revised completion dates have been agreed with management when Internal Audit will revisit to confirm implementation where appropriate. Details of the follow up reviews are set out in Appendix C.

3.16 Work continues in ensuring the status of all outstanding recommendations are reported appropriately to the Council Management Team for action and the Audit and Standards Advisory Committee for information.

Schools

3.17 A programme of school audits has been completed during 2018/19 with a focus on financial processes and the accompanying back office resources. There were 13 schools scheduled where we worked with school staff in order to provide assurance to Governing Boards and the Council that appropriate controls and processes are in place or that work is being done to reach the required standards.

3.18 Testing was carried out to ensure that schools were operating within a robust governance, risk management and control framework, ensuring that their resources are managed and used appropriately and effectively in order to enable the education of the pupils. In most of the schools reviewed, standards were 'reasonable' or higher. Although issues were raised at all schools visited, many were quite minor in nature.

3.19 Re-occurring themes identified across school audits were:

- Governance

- o Policies and Procedures -including those missing, or out of date;
- o Declarations of Interest - incomplete or missing.
- Purchasing and Expenditure
 - o Insufficient quotations obtained for high value purchases, and
 - o Purchase Orders not being raised and goods and services not being correctly receipted.
- HR and Payroll
 - o Inadequate process and procedures for starters and leavers, and
 - o Absence of sufficient checks on outside payroll providers.

Information on the key issues raised and overall conclusions are detailed in Appendix D.

- 3.20 For the two audit reviews which resulted in 'No Assurance' outcomes, management have developed action plans based on the recommendations which include responsible officers and timescales. Extended follow-up audits will be undertaken in these areas and the outcomes reported to the Committee.
- 3.21 Internal Audit are also attending Teachers' Panel and School Information Exchange meetings to discuss the audit process, key risk areas and any other concerns raised by schools.

Internal Audit Performance

- 3.22 While we ensured that the priority audits and associated key risks were addressed during the year, there were a small number of reviews in the audit plan that could not be completed during 2018/19 due to recruitment issues within the in-house team. These remaining audits have been reassessed based on the ongoing risk situation and a number have been rescheduled to be completed during 2019/20.
- 3.23 The ongoing recruitment of new staff during 2018/19 has brought increased stability and will provide greater assurance on plan completion during 2019/20.

Customer Satisfaction

- 3.24 Management have provided feedback on individual audits which has been incorporated into the continuous improvement of the service where relevant.
- 3.25 A total of seven questionnaires were returned (a return rate of 15%). The questionnaires ask the auditees to provide feedback on areas including usefulness of the audit, quality of the report and usefulness of any recommendations made. All responses were positive with either a satisfied or very satisfied opinion, although the sample size is too small to provide any reliable data. Efforts will be increased next year to obtain a higher return rate in order to provide a more comprehensive opinion.

Quality Assurance and Improvement Programme

- 3.26 The Public Sector Internal Audit Standards (PSIAS) state that an external assessment must be conducted at least once every five years by a qualified, independent assessor. This was due during 2018/19. The newly appointed Internal Audit Manager undertook the review and the result was reported to the Audit and Standards Advisory Committee in December 2018.
- 3.27 The conclusion of the review was that the Brent Internal Audit Service conformed with the PSIAS. The outcome reflected a professional and successful Internal Audit service. The service commands a good level of respect and credibility across the Council and is seen as a key part in supporting and developing good governance within the Council.
- 3.28 Some areas for improvement were identified but these do not impact on meeting the PSIAS and the overall conclusion of conformance. These have now been addressed.

4. Diversity Implications

None

5. Background Papers

None

6. Contact Officer Details

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Appendix A

Key Findings from 2018/19 Audits with 'Limited' or 'No' Assurance

Audit Title	Audit Scope	Findings
Income Management	Suspense accounts Income receipts Refunds Reconciliations Management Information Policies and Procedures	<p>We raised one high priority finding:</p> <ul style="list-style-type: none"> • Completeness and oversight of income and refunds. <p>And three medium findings:</p> <ul style="list-style-type: none"> • Policies and procedures; • System access review, and • Key Performance Indicators. <p>There were two low priority findings in relation to suspense accounts and bank reconciliations.</p>
Supplier Registration	Policies and Procedures; Roles and Responsibilities; Registration of suppliers; Amendment of suppliers details; Supplier cleansing, and Access to systems.	<p>We raised three high, two medium and one low risk finding. The three high rated findings were:</p> <ul style="list-style-type: none"> Procedure documents; Supplier Checks, and Supplier Cleansing.
Health and Safety	Governance Policies and Procedures Monitoring and Reporting Risk Management Third Party Providers	<p>The report outlined four key findings</p> <ul style="list-style-type: none"> Internal assurance; Gaps in contractor management; Limited monitoring of mandatory training, and Absence of leading indicators reported to senior management

Licensing	Policies and Procedures; Licence applications and decisions; Fees; Inspections; Breach of licence conditions; Licence register; and Management Information.	There were four high risk findings, four medium and three low. The four high risk findings were: Procedure documents; Renewals and annual fees; Licensing income, and Issuing of licences.
Northgate Housing Application	Governance Access Management Change Management Backups Password Controls KPI's	Three high priority findings: <ul style="list-style-type: none"> • Leavers Process; • Periodic user access reviews, and • Monitoring of privileged user activity. Two medium priority findings: <ul style="list-style-type: none"> • Segregation of Duties Conflict Checks, and • Disaster Recovery Plan.
Mosaic	Governance Access Management Change Management Backups Password Controls KPI's	Two high risk findings: <ul style="list-style-type: none"> • Ineffective Leavers Process, and • Monitoring of privileged user. Two medium risk findings: <ul style="list-style-type: none"> • Periodic user access reviews, and • Disaster Recovery Plan. .

Property Asset Register	Policies and Procedures Roles and Responsibilities Recording of property asset register Updating property asset register Reconciliations Asset verification Access and use of the property asset register	We raised five high risk findings which were: <ul style="list-style-type: none"> • Reconciliation of systems; • Formal policies and procedures; • Review and approval of data input and changes; • Use of management, and • Segregation of duties.
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Appendix B

High Risk Findings from 2018/19 Audits with 'Reasonable' Assurance

Audit Title	High Risk Findings
Insurance	Contract with the service provider.
Gifts and Hospitality/ Declarations of Interest	Completion of compulsory sections of the DoI form. This finding was raised in the 2015/16 audit.
Risk Based Verifications (RBV) - Benefits	GDPR Compliance
Unaccompanied Asylum Seeking Children	Recording of statutory information and updates on Mosaic
Children In Need	Monitoring and management of NHS recharges by the Council.
Brent Direct Leasing	Leasing Strategy

Appendix C

Follow Up Reviews

Audit Title	Management Actions				Assurance Rating	
	Implemented	Partially Implemented	Not implemented	No Longer relevant	Original	Revised
Cross Cutting						
Business Continuity Management	20	0	5	0	Limited	Reasonable
Contract Management	0	0	10	0	Limited	Limited
RIPA/Social Networking	1	0	0	0	Reasonable	Substantial
CWB						
Homelessness	4	2	0	1	Limited	Reasonable
Direct Payments	12	4	0	1	Reasonable	Reasonable
Public Health - Service User Development	6	0	0	1	Reasonable	Reasonable
Public Health - Payments to GPs	5	0	0	1	Reasonable	Reasonable
S117 Mental Health Act (Aftercare Services)	22	0	0	0	Reasonable	Reasonable
Temporary Accommodation	4	1	0	0	Reasonable	Reasonable
Voids Contract Management	4	1	0	0	Limited	Reasonable
CYP						
NRPF	4	0	0	0	Reasonable	Reasonable
Troubled Families	2	2	0	0	Reasonable	Reasonable
I4B/BHP						
i4B Fraud Risk	1	0	0	0	N/A	n/a
i4B Governance RM and Financial Mgt.	12	2	0	0	Reasonable	Reasonable
i4B Benefits Realisation	6	0	0	0	Reasonable	Reasonable
Management of BHP Owned Properties	0	0	0	8	Limited	N/a
Gas Servicing	2	1	2	0	Reasonable	Reasonable
Rent Arrears Management	15	0	0	0	Reasonable	Substantial

Leasehold Management and Service charge	3	0	0	0	Reasonable	Reasonable
PPP						
Grants to Voluntary Organisations	4	0	0	0	Reasonable	Reasonable
Performance Management	2	3	0	0	Reasonable	Reasonable
R&ES						
Schools Expansion Programme	6	10	0	0	Limited	Limited
S106/Community Infrastructure Levy	7	0	0	0	Reasonable	Substantial
South Kilburn Regeneration	12	2	0	5	Limited	Reasonable
Contract Mgmt - Environmental Services	0	0	0	18	Consultancy	n/a
Transport Shared Services	6	0	0	0	Limited	Reasonable
Building Control	1	0	4	0	Reasonable	Reasonable
Resources						
Income Generation	3	0	0	13	Reasonable	Reasonable
IT Governance and Third Party Management	2	1	2	0	Reasonable	Reasonable
Pensions Administration	5	0	0	11	Limited	Reasonable
Appointeeship/Deputyship	15	0	0	0	n/a	n/a
BACS Payments	6	2	0	0	Reasonable	Reasonable
Asset Management (Commercial Property)	9	3	0	0	Limited	Reasonable
IT Disaster Recovery	18	3	0	0	Limited	Reasonable
Payroll*	3	6*	3*	0	Limited	Limited
PCI DSS	3	1	0	0	Reasonable	Reasonable
GDPR	27	1	0	0	Consultancy	Consultancy
HR - Contract Administration	2	1	0	0	Limited	Reasonable
Treasury Management	3	2	0	0	Limited	Reasonable
Use of Temporary Workers	7	0	0	0	Reasonable	Reasonable
IT Security and Access Management	1	1	5	0	Reasonable	Reasonable
Insurance	4	0	1	0	Reasonable	Reasonable

* The Payroll review followed up on the findings in the audit carried out in December 2017. As this had been awarded a Limited assurance this review included further testing of the controls in key areas. Of the twelve agreed management actions from the original audit three have been satisfactorily implemented, six not fully implemented and three not implemented.

The risk areas where actions were not implemented:

- Policy, procedures and responsibility (priority – Medium);
- Amendments of data and segregation of duties (priority – Medium) and
- Risk management (priority – Medium).

The risk areas where actions were not fully implemented:

- Acting up honoraria payments (priority – High);
- Overtime (priority – High);
- Over payments (priority – High);
- 'Off-cycle' payments (priority – Medium);
- Authorised signatory list (priority – Medium), and
- Leavers (priority – Low).

There was evidence that progress is being made to improve the control environment. Elements of the majority of each risk area have been addressed and the service has fully engaged with the audit process. A further full audit of Payroll is included in the 2019/20 Audit Plan.


Appendix D

Issues Raised in School Audits 2018/19

School	Governance	Financial Management	Purchasing & Expenditure	Asset Management	HR & Payroll	Income Charging and Banking	Data Protection	Contracts & Leases	Lettings	Audit Conclusion
Leopold Primary	✓	✓	✓	✓	✓	✓	✓			No Assurance
Princess Frederica Primary	✓	✓	✓	✓	✓	✓		✓	✓	Limited
Mora Primary	✓		✓	✓	✓			✓		Reasonable
Uxendon Manor Primary	✓		✓		✓			✓		Reasonable
St Mary's RC Primary	✓				✓					Reasonable
Preston Park Primary	✓				✓	✓			✓	Reasonable
Salisbury Primary		✓	✓	✓	✓	✓			✓	Reasonable
Brentfield Primary		✓	✓		✓	✓		✓		Reasonable
JFS	✓		✓		✓					Reasonable
Malorees Infants/Juniors	✓				✓			✓		Reasonable
Islamia Primary	✓					✓				Substantial
Convent of Jesus & Mary Infants	✓		✓							Substantial

Risk

✓	High	✓	Medium	✓	Low
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	<p>Audit and Standards Advisory Committee 10 July 2019</p> <p>Report from the Chief Finance Officer Wards Affected: ALL</p>
<p>2018/19 Treasury Management Outturn Report</p>	

Wards Affected:	All
Key or Non-key Decisions	Key
Open or part/fully exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Open
Number of Appendices:	Two: 1. Debt and Investment Portfolio 2. Prudential Indicators
Background Papers:	None
Contact Officer(s): (Name, Title, Contact Details)	Daniel Omisore, Head of Finance (Capital & Treasury) 020 8937 3057, daniel.omisore@brent.gov.uk

1. INTRODUCTION

- 1.1 This report updates members on Treasury Management activity and confirms that the Council has complied with its Prudential Indicators for 2018/19.

2. RECCOMENDATIONS

- 2.1 The Audit and Standards Advisory Committee is asked to consider the 2018/19 Treasury Management outturn report, and ask that it be forwarded to Council, in compliance with CIPFA's Code of Practice on Treasury Management (the Code).

3. BACKGROUND

- 3.1 The Council's treasury management activity is underpinned by the Code, which requires authorities to produce annually Prudential Indicators and a Treasury Management Strategy Statement on the likely financing and investment activity. The Code also recommends that members are informed of treasury management activities at least twice a year.

- 3.2 This report fulfils the Council's obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the CLG Investment Guidance.
- 3.3 The Council has borrowed money over the long term to support investment in the Council's infrastructure and also invests cash balances held for short periods. It is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are central to the Council's treasury management strategy.

Economic Background

- 3.4 UK Consumer Price Inflation (CPI) for February 2019 was up 1.9% compared to last year, just above the consensus forecast but broadly in line with the Bank of England's February Inflation Report. The most recent labour market data for the three months to January 2019 showed the unemployment rate fell to a new low 3.9% while the employment rate of 76.1% was the highest on record. The 3-month average annual growth rate for pay excluding bonuses was 3.4% as wages continue to rise steadily and provide some upward pressure on general inflation. Once adjusted for inflation, real wages were up 1.4%.
- 3.5 After rising to 0.6% in the third calendar quarter from 0.4% in the second, fourth quarter economic growth slowed to 0.2% as weaker expansion in production, construction and services dragged on overall activity. Annual GDP growth at 1.4% continues to remain below trend. Following the Bank of England's decision to increase Bank Rate to 0.75% in August, no changes to monetary policy have been made since.
- 3.6 The ongoing uncertainty around Brexit continues to weigh on sterling and UK markets. Due to the continually changing circumstances a verbal update on Brexit, to the extent that it is relevant to this report, will be provided at the meeting.
- 3.7 While the domestic focus has been on Brexit's potential impact on the UK economy, globally the first quarter of 2019 has been overshadowed by a gathering level of broader based economic uncertainty. The US continues to be set on a path of protectionist trade policies and tensions with China in particular, but with the potential for this to spill over into wider trade relationships, most notably with EU. The EU itself appeared to be show signs of a rapid slowdown in economic growth with the major engines of its economy, Germany and France, both suffering misfires from downturns in manufacturing alongside continued domestic/populist unrest in France. The International Monetary Fund downgraded its forecasts for global economic growth in 2019 and beyond as a consequence.
- 3.8 Gilt yields continued to display significant volatility over the period on the back of ongoing economic and political uncertainty in the UK and Europe. After rising in October, gilts regained their safe-haven status throughout December and into the new year - the 5-year benchmark gilt yield fell as low as 0.80% and there were similar falls in the 10-year and 20-year gilts over the same period dropping from

1.73% to 1.08% and from 1.90% to 1.55%. The increase in Bank Rate pushed up money markets rates over the year and 1-month, 3-month and 12-month LIBID (London Interbank Bid) rates averaged 0.53%, 0.67% and 0.94% respectively over the period.

- 3.9 Recent activity in the bond markets and PWLB interest rates highlight that weaker economic growth is not just a UK phenomenon but a global risk. During March the US yield curve inverted (10-year Treasury yields were lower than US 3month money market rates) and German 10-year Bund yields turned negative. The drivers are a significant shift in global economic growth prospects and subsequent official interest rate expectations given its impact on inflation expectations. Further to this is world trade growth which collapsed at the end of 2018 falling by 1.8% year-on-year. A large proportion of this downturn in trade can be ascribed to the ongoing trade tensions between the US and China which despite some moderation in January does suggest that the International Monetary Fund's (IMF) and Organisation for Economic Co-Operation & Development's (OECD) forecasts for global growth in 2019 of 3.5% might need to be revised downwards.

The Borrowing Requirement and Debt Management

- 3.10 The table below summarises the Council's borrowing activity during 2018/19. The Council's underlying need to borrow as measured by the Capital Financing Requirement (CFR) was £688m at 31/03/2019.

	Balance on 01/04/2018	Borrowing Repaid	New Borrowing	Balance on 31/03/2019	Average Rate	Average Life
	£m	£m	£m	£m	%	Years
CFR	670.9			688.0		
Short Term Borrowing	21.0	(21.0)	0.0	0.0		
Long Term Borrowing	413.6	(27.8)	0.0	385.8	4.2	33.7
TOTAL BORROWING	434.6	(48.8)	0.0	385.8		

- 3.11 At 1 April 2018 the Council had £413 million of long-term borrowing, to finance its previous years' capital programmes. With short-term interest rates being much lower than long-term rates, it was more cost effective in the short-term to use internal resources rather than undertake further long-term borrowing. By doing so, the Council has been able to reduce net borrowing costs and reduced overall treasury risk as overall long-term borrowing has also fallen (£385 million).
- 3.12 Temporary borrowing was not required during the year. The average rate on long term borrowing of 4.78% was lower than last year's rate of 4.82% was due to the redemption of the RBS LOBO loan and PWLB loans that are paid back steadily over their lifetime.

- 3.13 If the Council were to repay its long term borrowing this would involve paying a premium to compensate PWLB for their inability to relend the money at the rate at which they have financed the loan. For example, the Council's most expensive loan is £3.05m at a rate of 8.875%, to repay it would cost £0.781m, a 26% premium on the value of the loan before the cost of re-financing. In short, the cost of re-financing our loans under the Government's punitive approach means is not economical. However, this analysis might change if interest rates returned to historically normal levels.
- 3.14 The Treasury Management Strategy approved by the Council in February 2018 states that the Council will maintain borrowing at the lowest level consistent with prudent management of the Council's finances. This implies that, at present discount rates, we will not undertake premature repayment of debt but that, in conjunction with our Treasury Management advisers, Arlingclose, we will remain abreast of developments and be prepared to borrow up to the level of CFR if a significant permanent rate rise appears likely. These circumstances did not arise during the year.
- 3.15 The Authority has £70.5m exposure to LOBO loans - Lender's Option Borrower's Option (2018/19 £80.5m) of which £31m of these can be "called" during 2019/20. Under the LOBO arrangements lenders can exercise their rights at set times to amend the interest rate on the loan. At that point, the Borrower can accept the revised terms or reject them and repay the loan without penalty. LOBO loans present a potential refinancing risk to the Authority since the decision to call a LOBO is entirely at the lender's discretion. This risk is mitigated by the fact that the Council's current cash holdings mean that any repayment could be accommodated by reducing deposits. It is also unlikely that LOBO loans will be called at the present time due to low interest rates – although this may change in the future if rates rise.
- 3.16 The following LOBO loan was redeemed in Nov 2018.

Details:

Counterparty	RBS
Notional Amount	£10m
Original Maturity	01/04/2060
Date of Restructuring	29/11/2018

- 3.17 Prior to this redemption the Council had £80.5m in Lender Option Borrower Option ("LOBO") market loans. The majority of the loans were taken out before 2010 meaning that in the current interest rate environment the likelihood of these loans being "called" by the bank, in terms of changing the rate, is low.
- 3.18 However certain banks (including RBS) have been active in seeking to exit these loans for various reasons which possibly relate to either the regulatory rules required in terms of setting aside capital ("Risk Weighted Assets") which restrains the bank from lending further in other areas and more recently the changes in International

Financial Reporting Standard (IFRS) and in particular IFRS9 which impacts the bank with regards to the accounting for these loans.

- 3.19 In Nov 2018 the Council was approached by RBS with a view to entering into negotiations for the early redemption of the above loan. As well as taking advice from Link Asset Services the Council undertook a detailed analysis of the options and merits of different approaches, including maintaining the status quo. This included sensitivity analysis, identification of potential risks with any existing structure and any potential new structure, a quantification of the potential benefits from restructuring as well as accounting implications.
- 3.20 A number of different rescheduling options were compared and written down over the life of the loan and the cash flow discounted back using rates taken from the HM Treasury Green Book. The results were used as benchmark from which to negotiate improved terms with RBS. In late Nov 2019 terms were agreed (based on the parameters modelled above). Furthermore, the Council has used internal investment balances available for the repayment of the principal and the premium. This means that the level of external investment will reduce by this amount, thus reducing the level of investment income due to the reduced cash.
- 3.21 However, with interest rates at low levels and the general expectation for a slow and gradual increase in rates in the medium term, the council's investment income is suppressed and therefore using this cash balance for the repayment of the loans could save money. In fact, the analysis indicates that, based on the amount paid to redeem the loan (par + 240 bps), there will be a substantial saving based on the interest saved on the loan, with even greater savings if the loan is not replaced. As noted above at this time the authority has chosen not to not refinance the loan with PWLB or any other borrowing but has utilised internal cash balances. However, this position is remains under constant review.
- 3.22 There are many complex arguments made about LOBOs, by their supporters and by their detractors. The Council's position is simply that the LOBOs are part of its portfolio, and must therefore be managed as effectively as possible. There are no plans to enter into further LOBO contracts. However, it should be noted that the average rate of interest being paid on LOBOs is currently less than that paid on PWLB debt (4.60% compared to 5.19% at 31 March). The most expensive LOBO was at 6.234% on 31 March 2019, compared with the most expensive PWLB at 8.875%.

Forward Borrowing

- 3.23 The Council is continuing to assess the potential benefits of taking out forward loans to fund the expanding capital programme. This option allows the Council fix the rate now for a period of up to five years in advance. This would support a short term, cheap position, with the added comfort of fixed rate loans being drawn down in the future in parallel with our capital commitments. Officers are currently in the process

of procuring both legal and technical advisors to assist in this endeavor and will report back to this committee later in the year.

Municipal Bonds Agency

- 3.24 In a recent note to shareholders, the MBA cited the requirement for a Joint and Several Guarantee (JSG) as the main reason why they have failed to issue any bonds to date and proposed assembling a group of authorities to redesign the bond offer, with the JSG removed. Clearly, dropping the JSG could improve clients' appetite for borrowing via this channel, but conversely may reduce investor appetite to buy bonds which would be reflected in pricing. In current markets it may prove difficult for the yield on MBA bonds and therefore loans to local authorities, to be attractive relative to PWLB in the absence of the guarantee, however this is continually under review.

Investment Activity

- 3.25 Both CIPFA and the CLG Investment Guidance require the Council to invest prudently and have regard to the security and liquidity of investments before seeking the optimum yield. The table below summarizes investment activity during 2018/19.

	Balance on 1/4/2018	Investments made	Investments repaid	Balance on 31/03/2019	Average Rate	Average Term
	£m	£m	£m	£m	%	Days
Fixed term deposits	105.2	475.0	519.0	61.2	1.0%	142
Money Market Funds and notice deposits	35.2	711.0	704.2	42.0	0.62%	
TOTAL INVESTMENTS	140.4	1,186.0	1,223.2	103.2	0.85%	142

- 3.26 Security of capital remained the Council's main investment objective. This was maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2018/19 which defined "high credit quality organisations" as those having a long-term credit rating of A- or higher that are domiciled in the UK or overseas where the sovereign rating is AA+ or higher.

Credit developments and credit risk management

- 3.27 The Council assessed and monitored counterparty credit quality with reference to credit ratings, credit default swaps (a means of insuring loans), perceived credit-worthiness of the country in which the institution is registered and its share price. The minimum long-term counterparty credit rating determined by the Council for the 2018/19 treasury strategy was A- across rating agencies Fitch, S&P and Moody's. The Council continues to monitor risks, with advice from Arlingclose.

Liquidity Management

- 3.28 With changes to the regulatory environment during the year the Council adopted a

cautious approach to investments by adopting mainly 3-month lending limit, investments with financial institutions were primarily by means of purchasing 3 month Certificates of Deposit (CDs). Longer maturities with more attractive rates are available from Local Authorities, though these will depend on being able to satisfy demand when it arises. At peak periods, mindful of the primacy of security as a criterion for decision making, larger balances were held in short term investments, particularly Money Market Funds. The use of short term borrowing at times of lower cash balances is judged to maintain a prudent balance between maintaining security and liquidity and achieving a reasonable yield on investments, however this was not required during 2018/19.

Yield

- 3.29 On the 7 Feb 2019 The Bank of England's monetary policy committee voted unanimously to keep the base rate at 0.75 per cent. The rate has stayed at this level since it was raised from 0.50 per cent in early August last year. Short term money market rates temporarily increased as a result but continue to remain relatively low. This has continued to have a significant impact on investment income. The low rates of return on the Council's short-dated money market investments reflect prevailing market conditions and the Council's objective during 2018/19 of optimising returns commensurate with the principles of security and liquidity.
- 3.30 The Council's budgeted investment income for the year had been estimated at £1m. The average cash balance during 2018/19 was £121.8m and interest earned was £1.03m, an average return of 0.85%. *(2017/18 – average cash balance of £179m and interest earned was £0.7m or 0.41%)*. The Council has set a higher investment income target for 2019-20 and the Treasury Strategy has been updated accordingly to reflect this.

Update on Investments with Icelandic Banks

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

Compliance

- 3.32 The Council confirms that it has complied with its Prudential Indicators for 2018/19, which were approved by the Council on 26 February 2018 as part of the Council's Treasury Management Strategy Statement.
- 3.33 In accordance with the requirements of the CIPFA Code of Practice this report provides members with a summary report of the treasury management activity during 2018/19. None of the Prudential Indicators have been breached and a prudent approach has been taken in relation to investment activity with priority being given to security and liquidity over yield.

Further information is set out in Appendix 1 and 2.

Investment Training

- 3.34 The needs of the Council's treasury management staff for training in investment management are kept under review and considered as part of the staff appraisal process, and additionally when the responsibilities of individual members of staff change.
- 3.35 During 2018/19 staff attended training courses, seminars and conferences provided by Arlingclose and CIPFA.

FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

- 5.1 None identified.

6. DIVERSITY IMPLICATIONS

- 6.1 None identified.

7. STAFFING IMPLICATIONS

- 7.1 None identified.

8. BACKGROUND INFORMATION

Treasury Management Strategy Report to Council – 26 February 2018

9. CONTACT OFFICERS

Daniel Omisore
Head of Finance (Capital & Treasury)
020 8937 3057, Daniel.Omisore@brent.gov.uk

Report sign off:

CONRAD HALL
Chief Finance Officer

Appendix 1

Debt and Investment Portfolio Position 31/3/2019

	Actual Portfolio £m 31/03/2019	Average Rate as at 31/03/2019 %
External Borrowing:		
PWLB - Maturity	271.5	5.0
PWLB - Equal Instalments	28.8	2.8
Fixed Rate Market Loans	15.0	4.3
LOBO Loans	70.5	4.6
Total External Borrowing	385.8	4.2
Other Long Term Liabilities:		
PFI	26.6	9.5
Finance Lease	4.7	4.1
Total Long Term Liabilities	31.2	6.8
Total Gross External Debt	417.1	5.5
Investments:		
Deposits	61.2	1.0
Money Market Funds	42.0	0.6
Total Investments	103.2	0.8
Net Debt	313.9	

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Appendix 2

Prudential Indicators

(a) Capital Financing Requirement (CFR)

The Council's cumulative maximum external borrowing requirement for 2018/19 is shown in the table below:

Capital Financing Requirement	31/03/2019 Estimate £m	31/03/2019 Actual £m
General Fund	487.2	527.1
HRA	167.0	159.9
Total CFR	654.2	687.0

(b) Gross Debt and the Capital Financing Requirement:

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

Debt	31/03/2019 Estimate £m	31/03/2019 Actual £m
Borrowing	395.8	385.8
PFI Liabilities	31.2	31.2
Total Debt	427.1	417.1
Capital Financing Requirement	654.2	687.0
Borrowing in excess of CFR?	No	No

(c) Authorised Limit and Operational Boundary for External Debt

The Operational Boundary for External Debt is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. It links directly to the Council's estimates of capital expenditure, the capital financing requirement and cash flow requirements and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance lease, Private Finance Initiative and other liabilities that are not borrowing but form part of the Council's debt.

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

	Operational Boundary £m	Authorised Limit £m	Actual External Debt £m 31/03/2019
Borrowing	900.0	1,000.0	385.8
Other Long Term Liabilities			31.2
Total	900.0	1,000.0	417.1

The Chief Finance Officer confirms that there were no breaches to the Authorised Limit and the Operational Boundary during 2018/19.

(d) Upper Limits for Fixed Interest Rate Exposure and Variable Interest Rate Exposure

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

	Approved Limits for 2018/19 as a proportion %	Maximum during 2018/19 as a proportion %
Upper Limit for Fixed Rate Exposure Compliance with limits:	100 Yes	100 Yes
Upper Limit for Variable Rate Exposure Compliance with limits:	40 Yes	0 Yes

(e) Maturity Structure of Fixed Rate Borrowing

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

Maturity Structure of Fixed Rate Borrowing	Upper Limit	Lower Limit	Actual Fixed Rate Borrowing at 31/3/2019	% of Fixed Rate Borrowing at 31/3/1019	Compliance with set limits?
	%	%	£m	%	Yes / No
Under 12 months	40%	0%	31	8%	Yes
12 months and within 24 months	40%	0%	14	4%	Yes
24 months and within 5 years	40%	0%	38	10%	Yes
5 years and within 10 years	60%	0%	3	1%	Yes
10 years and within 20 years	75%	0%	24	6%	Yes
20 years and within 30 years	75%	0%	51	13%	Yes
30 years and within 40 years	75%	0%	213	55%	Yes
40 years and within 50 years	75%	0%	11	3%	Yes
50 years and above	75%	0%	0	0%	Yes
			385.8	100%	

(f) Capital Expenditure

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

Capital Expenditure	31/3/2019 Estimate	31/3/2019 Actual
General Fund	169.6	113.6
HRA	51.6	37.5
Total	221.2	151.1

(g) Ratio of Financing Costs to Net Revenue Stream

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

Ratio of Financing Costs to Net Revenue Stream	31/3/2019 Estimate	31/3/2019 Actual
General Fund HRA	5.92% 16.75%	4.45% 16.06%

(h) Adoption of the CIPFA Treasury Management Code

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

Statement: The Council adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2011 (2017 Edition).

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


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

Upper Limit for Total Principal Sums Invested Over 364 Days	31/3/2019 Approved £m	31/3/2019 Actual £m
	40	0

(j) HRA Limit on Indebtedness

HRA Debt Cap per MHCLG	£199m	
	31/3/2019 Estimate £m	31/3/2019 Actual £m
HRA CFR	£167m	£159m

In October 2018 the government removed the HRA borrowing cap by issuing a determination revoking previous determinations that specified a local authority's limits on indebtedness.

 <p>Brent</p>	<p>Audit and Standards Advisory Committee 10 July 2019</p> <p>Report from the Director of Legal, HR, Audit and Investigations</p>
<p><i>For Information</i></p>	<p>Wards Affected: ALL</p>
<p>Audit and Standards Advisory Committee Self-Assessment Exercise</p>	

1. Summary

- 1.1. This report presents the proposed actions arising from the Audit and Standards Advisory Committee's self-assessment workshop conducted on 24th April 2019.

2. Recommendation

- 2.1. The Audit and Standards Advisory Committee consider and approve, as necessary, the proposed actions arising from the self-assessment exercise.

3. Detail

- 3.1. The Audit and Standards Advisory Committee (ASAC) undertook a self-assessment workshop on 24th April 2019 which focused on some of the key elements of an effective Audit Committee as suggested by CIPFA. It also considered the recent move to combine the functions of the Audit and Standards Committees. The areas discussed were therefore:

- 'Audit' and 'Standards' Committees working together;
- Promoting the principles of good governance and their application to decision making;
- Supporting the establishment of arrangements for managing risk, including reporting and obtaining assurance;
- Supporting internal audit activity: planning, reporting and recommendation follow up, and
- Aiding the achievement of the organisation's goals and objectives through helping to ensure appropriate governance, risk, control and assurance arrangements.

- 3.2 Feedback from members and officers was that the session was helpful. We have analysed and collated the outputs from the session in the following proposed actions:

Liaison with the Scrutiny function

1. Achieve better interface/ alignment between ASAC and Scrutiny especially on financial matters. This could be achieved by:
 - synchronising the work programmes of Scrutiny and ASAC with the work of Cabinet (including, as part of that, clarifying the distinction between the roles of ASAC and Scrutiny Committees), and
 - seeking greater understanding on all available sources of assurance. Once adequately mapped, Scrutiny and ASAC could seek to address any gaps.

Risk Management

2. ASAC to obtain assurance on Cabinet's challenge to the Corporate Risk Register (CRR).
3. ASAC to explore the process that underpins the CRR. This could include encouraging departmental risk leads to periodically attend ASAC to present a current risk management position for their department; or to undertake deep dive analysis on specific risk areas. Additionally, assurance could be obtained that department RRs are considered and reconcilable to the CRR.

ASAC constitution, conduct and skills

4. Following the merger of the Audit and Standards Committee, review the effectiveness of the merger of Audit and Standards committees. To include consideration on the number and mix of members.
5. Encourage greater attendance at Member development sessions in particular mandatory sessions, including those relating to Audit and Standards
6. Arrange regular liaison meetings between the ASAC Chair, Vice Chair and independent Members.

Other

7. Explain the work of the Committee to all members especially on how the Committee provides assurance. This may be achieved by reviewing the use

of verbal vs written reports to Group meetings and Full Council in order to better engage members in work of Committee and audit function.

4. Proposed Actions

The actions described above will be progressed following consideration and approval by the Committee.

5. Diversity Implications

None

6. Background Papers


None

7. Contact Officer Details

Michael Bradley, Head of Audit and Investigations, 7th floor, Brent Civic Centre
Telephone :0208 937 6526, Email: Michael.Bradley@brent.gov.uk

Debra Norman; Director of Legal, HR, Audit and Investigations

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	Audit and Standards Advisory Committee 10 July 2019
	Report from the Director of Legal, HR, Audit and Investigations
Counter Fraud Annual Report 2018-19	

Wards Affected:	N/A
Key or Non-Key Decision:	N/A
Open or Part/Fully Exempt: <small>(If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)</small>	Open
No. of Appendices:	NIL
Background Papers:	None
Contact Officer(s): <small>(Name, Title, Contact Details)</small>	Michael Bradley, Head of Audit and Investigation 020 8937 6526, Michael.Bradley@brent.gov.uk

1. Summary
 - 1.1 This report provides an annual summary of the counter fraud work undertaken for the period 1st April 2018 to 31st March 2019.
2. Recommendations
 - 2.1. That the Audit and Standards Advisory Committee notes the counter fraud work in the period of this report.
3. **Internal Fraud**
 - 3.1 The total referrals of alleged internal fraud for the year is lower than the previous year. This includes whistleblowing referrals and a range of case types that includes financial, staff conduct and procedural irregularities. Our proactive work and our review of the National Fraud Initiative (NFI) data-matched reports are covered in the 'proactive' section of this report. Internal fraud typically has the fewest referrals in any period but is generally more complex in nature. There have been three new referrals received during Q4, which is a decrease compared with the same period during the previous year (nine cases)

The table below sets out key figures in this area.

Table A – Internal Fraud

Internal Fraud	2018/19 Q4	2018/19 Q3	2018/19 Q2	2018/19 Q1	2018/19 (year to date)	2017/18 (full year)	2016/17 (full year)
Open Cases b/f	9	12	8	11	11	16	22
New Referrals	3	6	9	10	25	35	28
Closed Cases	7	9	5	13	27	40	34
Open Cases c/f	5	9	12	8	9	11	16
Fraud/Irregularity Identified*	2	3	1	5	9	10	12
Dismissal	0	1	1	0	2	1	1
Resignation	0	0	0	2	2	1	2
Warning	1	1	0	1	2	2	1
Other Outcome (see below)	1	1	0	2	3	7	8

* Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action)

- 3.2 There has been an increased presence on the council's website that enables members of the public to report all suspected fraud. Additionally, fraud awareness sessions have been delivered across a number of Council departments.
- 3.3 A case in Q4 resulted in disciplinary action. It related to a conflict of interest where an employee failed to disclose a personal relationship with an agency member of staff who they had hired and then approved dubious expense claims relating to travel to/from work. This resulted in a formal warning.
- 3.4 Another successful outcome during Q4 was an investigation into fraudulent counterfeit cheques drawn against a school's bank account, which totalled £77,231. (This was originally logged as an internal referral though findings concluded that the fraud originated externally.) The school recovered its funds and enquiries ruled out any internal wrongdoing.
- 3.5 During Q2, a fraud investigation was initiated against an employee and their partner concerning financial irregularities which led to the employee's dismissal in August 2018. The criminal investigation has now concluded. The ex-employee pleaded guilty on 23rd October 2018 to four charges under Section 1 of the Fraud Act and one under Section 1(1) of the Criminal Attempts Act, with a financial value of £187,216. Sentencing took place on the 29th November and is summarised below;
- Two years' imprisonment per offence to run concurrently suspended for two years;
 - 240 hours (unpaid work);
 - Compensation in the sum of £44,669.57, and
 - Costs in the sum of £2,500 payable in 12 months.

- 3.6 The total value of the fraud was £288,111, which included fraudulent attempts, although prompt management action and investigative work meant there was no financial loss to the council. Internal Audit work on the control issues relating to this event is set out in the internal audit annual report.
- 3.7 One internal case that was concluded in April (2019/20 Q1) is worth noting. It was a Blue Badge misuse case by a member of staff. The offence was identified in September 2018 during one of the team's on-street enforcement operations. The individual had resigned pending a disciplinary hearing and subsequently pleaded guilty to a misuse offence under the Road Traffic Act. They were sentenced to a £500 fine (half the maximum) and ordered to pay £1,092 costs and a £50 victim surcharge.
4. Tenancy and Social Housing Fraud
- 4.1 The recovery of social housing properties by the Investigations team has a positive impact upon the temporary accommodation budget and remains a high priority fraud risk area for the Council. The average value of each recovered tenancy is £93,000 per property as reported by the Cabinet Office (National Fraud Initiative Report 2016). The counter-fraud activity to end of year is summarised in the table below:

Table B – Tenancy and Social Housing Fraud

Housing Fraud	18/19 Q4	18/19 Q3	18/19 Q2	18/19 Q1	2018/19 (year to date)	2017/18 (full year)	2016/17 (full year)
Open cases b/f	45	43	45	28	28	82	121
New Referrals	24	43	41	43	151	130	332
Closed cases	46	41	43	26	156	184	371
Open cases c/f	23	45	43	45	23	28	82
Fraud Found	10***	2	8	7	27	42	52
Recovered Properties	7	1	7	5	20	38	44
Applications Refused	1	1	0	1	3	1	0
Property Size Reduced	0	0	0	0	0	2	4
Right To Buy	1	0	1	1	3	1	4
Value of properties recovered*	744,000	186,000	651,000	558,000	£2,139,000	£738,000	£864,000
Value of Right to Buy Discount Prevented**	108,000	NIL	103,900	103,900	£315,800	£103,900	£311,700
Cases with Legal for Possession/Prosecution	8	12	12	N/A	12	11	26

* Notional value of recovered properties (including housing and Right to Buy applications stopped, property size reduction and prevention of split tenancy) used for reporting purposes is £93,000. (£18,000 used previously)

** Actual amount of Right to Buy discount stopped. *** Fraud Found includes one housing case where Council Tax fraud/irregularity (£145.10) was identified.

- 4.2 A total of 23 housing recoveries, with a notional value of £2,139,000, were recorded as a result of fraud / irregularity up to Q4. The recoveries are less than the same period as last year.
- 4.3 A total of 26 recoveries is recorded, which includes an additional three Right to Buy applications that were stopped due to fraud / irregularity being identified and thus retaining the tenancy housing stock. The actual discount that was prevented represents £315,800 giving an overall savings figure of £2,454,800.
- 4.4 The total referrals in 2018/19 have been lower compared with the previous three years. The overall fraud detection rate against closed cases for the year is 16.67%. This has increased slightly since Q3 (13.63%) due to an increase in outcomes in Q4.

The fraud detection rate against closed cases since 2015/16 is as follows:

- 2015/16 = 23.25% (314 cases closed, detected fraud in 73 cases);
 - 2016/17 = 14.02% (371 cases closed, detected fraud in 52 cases);
 - 2017/18 = 22.83% (184 cases closed, detected fraud in 42 cases),
 - 2018/19 = 16.67% (156 cases closed, detected fraud in 26 cases).
- 4.4 At the end of Q4 there were an additional eight cases involved in various stages of legal proceedings to recover properties and a further 17 tenancy investigation reports have been issued that recommend recovery proceedings are instigated.
- 4.5 There are a number of reasons for the downturn in referrals and the detection rate, which include an increase in criminal prosecution activity across all fraud types and a decline in referrals from usual sources such as Housing Management and external housing associations. Referrals from the public have remained constant, although the quality of these is generally lower.
- 4.6 In order to mitigate this downturn, the team have provided fraud awareness training and assistance to key colleagues with the introduction of enhanced verification for discretionary tenancies and succession applications that commenced in Q4. The team have also started two proactive exercises relating to Right to Buy applications and tenancies in known risk areas for unlawful sub-letting, the results of which are anticipated from Q2 2019/20. In addition, the team has commenced a tenancy fraud awareness campaign since April, which includes promotion using various media and communication with all council tenants via direct messaging and the quarterly tenancy newsletter.
- 4.7 A notable case is the recent recovery of a council property in April 2018, where the tenant had used fraudulent ID from the outset of the tenancy (January 2009) and was unlawfully subletting the tenancy whilst residing in their privately owned property under a different (presumed genuine) identity. This case was heard at court in September 2018 where the defendant pleaded guilty and gave an undertaking to pay £120,000 which has now been received by the Council.

- 4.8 Another notable case is a recent refusal of a homeless application, where the applicant had supplied fraudulent supporting documentation including medical evidence. A judicial review in December 2018 determined the housing application was not genuine and the Council's duty to house has been rescinded. The team are currently considering the evidence with a view of instigating criminal proceedings.
- 4.9 A further notable case is a recent withdrawal of a Right to Buy application following an investigation, where the discounted purchase would have totalled £108,000 had it gone through. The tenant had failed to declare capital of £145,000 which they had concealed in undisclosed bank accounts for approximately four years whilst claiming full Housing Benefit and Council Tax Support. The team is currently pursuing a joint investigation with the Department of Work and Pensions for potential criminal offences.

5. External Fraud

- 5.1 'External fraud' includes all external fraud / irregularity that affects the council. This will include (but is not limited to) fraud cases involving; Blue Badge, Direct Payments, Council Tax, Business Rates, insurance, finance, concessionary travel and grant applications. The counter fraud activity up to end of the year is summarised in the table below:

Table 8 – External Fraud

External Fraud	18/19 Q4	18/19 Q3	18/19 Q2	18/19 Q1	2018/19 (year to date)	2017/18 (full year)	2016/17 (full year)
Open cases b/f	7	17	12	13	13	14	57
New Referrals	42	41	39	20	142	88	161
Closed Cases	29	51	34	21	135	89	204
Open cases c/f	20	7	17	12	20	13	14
Fraud / Irregularity *	4	7	7	5	12	12	22
Prosecution	1	0	0	1	1	1	2
Warning / Caution	2	1	1	0	1	2	6
Overpayment/Saving	1	6	7	5	12	11	7

NB: Where closed cases do not identify fraud / irregularity, these are recorded as NFA (No Further Action).

- 5.2 Since Q1 of 2017/18, the team has led on an organised Freedom Pass fraud investigation involving several councils in London with over 100 fraudulent applications identified to date. The team has so far identified 17 fraudulent Brent applications. The main subject of the investigation has been identified, arrested and appeared in court on 26 June 2018 relating to 21 counts of fraud, counterfeiting and forgery. The investigation was in collaboration with London Councils, Transport for London and the Police and is being led by Brent Council. The fraud has been present in our system since September 2016 and specifically targeted the 'partially sighted' entitlement category using false supporting documentation. This occurred due to inadequate controls on the

verification of supporting documentation which was addressed by the service area at an early stage of the investigation. The potential value of a Freedom Pass is approximately £6,000 per year and the cost to councils is significantly more due to the charging structure with London Councils – it costs Brent approximately £350 per pass to administer.

- 5.3 The defendant had pleaded not guilty and following a six-day trial in March was found guilty by a unanimous jury verdict of nine counts of forgery at Harrow Crown Court – for the false documents they submitted to Brent, Enfield and Haringey Councils in support of applications for Disabled Person's Freedom Passes and a Disabled Person's Blue Badge. The team is also prosecuting a further three charges on behalf of Waltham Forest Council. The defendant had pleaded guilty to these on the same day they were convicted but before sentencing was scheduled in April, they applied to vacate their plea. It is anticipated the judge will deal with the defendant's application in July 2019 and then consider sentencing.
- 5.4 A notable case was a recent prosecution earlier this month resulting from a previous Blue Badge enforcement operation in June 2018. The defendant pleaded guilty and was fined £660. They were also ordered to pay costs of £572 and a Victim Surcharge of £66. In addition, a further two Blue Badge cases resulted in cautions being issued during Q4 for misuse.
- 5.5 During the last year, the team has logged 41 referrals relating to Blue Badge misuse from a variety of sources and with four directly from the Parking team. At the end of Q4 an agreed process between the Investigations team and Parking was implemented to generate increased quality referrals from Civil Enforcement Officers. In the first two months of Q1 (2019/20), 20 referrals have been received as result of the new process with the majority being progressed. It is anticipated that this referral stream will continue to develop and improve with initial outcomes being reported in the next progress report.
- 5.7 The team have explored other potential fraud types and an example of this is Parking Permit fraud. Investigations this year has resulted four permits being cancelled up to Q3 with a notional value of £2,300 and a further four cases concluded in Q4.
- 5.8 A further notable case relates to Business Rates where the subject had falsely declared their premises to be empty but was operating an active mechanics business. The investigation findings resulted in an extra liability of £12,276.

6. Counter Fraud **Savings Summary**

- 6.1 The table below summarises the main savings (both notional and actual) identified at the conclusion of investigations. Housing Tenancy remains the highest area of savings for the team. The table does not reflect all positive outcomes such as some NFI data matching reviews which are reported separately (below) and certain internal fraud cases where it can be difficult to accurately apportion a value. It should also be noted that whilst the team no longer has the remit to directly investigate Housing Benefit and Council Tax Benefit, it will take appropriate action to ensure these benefits are corrected where fraud/irregularity is identified.

Savings Summary:	Yr 2018/19	Q4 2018/19*	Q3 2018/19*	Q2 2018/19*	Q1 2018/19*	Yr 2017/18
Client Funds	367,842.78	77,231.50	290,611.28	0.00	0.00	63,000
Council Tax Benefit	NIL	0.00	0.00	0.00	0.00	2,000
Council Tax Support	NIL	0.00	0.00	0.00	0.00	5,000
Council Tax SPD	52,846.21	145.10	51,900.08	0.00	801.03	1,000
Direct Payments	NIL	0.00	0.00	0.00	0.00	35,000
Housing Application	279,000	93,000.00	93,000.00	0.00	93,000.00	18,000
Housing Tenancy	1,860,000	651,000.00	93,000.00	651,000.00	108,000.00	720,000
Insurance Claims	NIL	0.00	0.00	0.00	0.00	2,670
Rent Allowance (HB)	NIL	0.00	0.00	0.00	0.00	15,000
Rent Rebate (HB)	NIL	0.00	0.00	0.00	0.00	27,000
Pension Fraud/Irregularity	NIL	0.00	0.00	0.00	0.00	7,000
Right To Buy Fraud	315,800	108,000.00	0.00	103,900.00	103,900.00	104,000
Blue Badge	10,125	1,150.00	4,025.00	2,875.00	2,075.00	1,000
Freedom Pass	NIL	0.00	0.00	0.00	0.00	90,000
Parking Permits	4,600	2,300.00	0.00	2,300.00	0.00	NIL
NNDR / Business Rates	12,276.41	0.00	12,276.41	0.00	0.00	NIL
Caution – Voluntary Contrib.	0.00	0.00	0.00	0.00	0.00	250
Litigation Compensation	120,000	120,000.00	0.00	0.00	0.00	NIL
Year to Date Total:	3,022,490.40	1,052,826.60	544,812.77	760,075.00	664,776.03	1,090,600

* Quarterly savings breakdown does not include live cases where values have been recorded e.g. prosecution case.
Figures are up to 31st March 2019.

7. Proactive Counter Fraud activity

- 7.1 Two **Council Tax** proactive counter fraud exercises have concluded in Q3 which involved a review of those receiving Single Person's Discount and Student Discount. The Single Persons Discount review was successful with over 800 cases reviewed and savings of £51,410 identified. A new, more in-depth, review has already commenced based on data matching between Council Tax accounts and current Electoral Roll records. The new exercise will continue throughout the year with a provisional deadline of 30th September 2019. To date, there are a total of 6,258 data matches of which 791 have been reviewed and 130 cases have been passed to the Council Tax team to remove the discount. The Student Discount review proved to be less effective and was discontinued with no savings identified. This is a lower risk area and we have reviewed our approach based on this exercise. An update on the current exercise will be set out in the next progress report for 2019/20 Q1 and Q2.
- 7.2 There have been four **Blue Badge** enforcement operations led by the team and carried out across the borough at known risk areas. This has resulted in 184 badges being checked and 22 badges seized with appropriate cases investigated further for criminal offences. These operations are planned confidentially and incorporate multiple council teams and the Police. A recent operation occurred in June and an update will be provided in the next progress report.
- 7.3. The **National Fraud Initiative (NFI)** 2016/17 data matching exercise has been reviewed following data submission in October 2016 and matches generated

since January 2017. There were a total of 20,463 data matches (8,036 were recommended) across the full range of data sets that include Payroll, Pensions, Finance, Creditors, Housing, Benefits, Direct Payments, Insurance, Parking Permits and concessionary travel. All NFI Key Reports have been reviewed.

The overall summary of NFI work is as follows:

- Matches processed/reviewed = 1,134 (up to May 2018 was 1,099);
- Investigating = 26 (up to May 2018 was 24);
- Cleared = 782 (up to May 2018 was 747);
- Fraud/Error identified = 319/3 (no change since May 2018), and
- Overpayment/Savings identified = £168,177.44 (no change since May 2018).

Notable results from NFI reports reviewed are as follows:

- Blue Badge data to deceased persons; 447 matches reviewed and 304 fraud/errors were found resulting in live badges being cancelled. Notional saving of £152,000 recorded (£500 for each badge cancelled);
- Brent Pensions to deceased persons; 67 matches reviewed with 12 fraud/error cases found resulting in pensions being terminated and £9,077 being recovered; and
- Insurance multiple claims within Brent; one case identified with a reserve of £7,100 which has been cancelled/withdrawn.

Additional work on the existing NFI exercise has ceased during Q3. The new data submissions for the **NFI 2018/19** exercise was supplied in October and new data matches were generated in Q4. These matches total 19,296 covering multiple data reports and are currently being reviewed by the team. One report that was recently completed relates to deceased person records against live Blue Badges, which has resulted in 277 (of 348) badges being cancelled with a notional value of £159,275. An update of the NFI review will be set out in the next progress report.

7.4 Government Counter Fraud Profession – Membership and Apprenticeship Programme. Brent has been part of a multi-agency group across central and local government to develop a competency based counter fraud apprenticeship which has now progressed to the final stages with approval. Once approved by the Institute for Apprenticeships it will provide a platform to train and develop investigators to a consistent standard. A LA working group, in conjunction with the Cabinet Office, has recently been set up (of which Brent is represented) to agree learning and development standards and an approach for LAs to become full GCFP members.

7.5 The team is trialling a pilot with **Cifas** (Credit Industry Fraud Avoidance System) as part of its commitment to anti-fraud. The pilot commenced in April 2019 for twelve months and Brent will be one of 10 local authority fraud teams to take part. It will enable the team to have access to the Cifas National Fraud Database, which is used by the banking and insurance industry, to share appropriate investigation data and using data matching for the prevention and detection of crime. An additional pilot is being considered by Brent to become members of the Cifas' Internal Fraud Database, which is an anti-fraud membership to prevent and detect internal employee and recruitment fraud.

DWP joint working pilot

- 7.6 The Investigations team is trialling a pilot exercise with the DWP, which commenced on 28th January 2019, to jointly investigate suitable cases involving Housing Benefit and Council Tax Support.

Fraud Awareness Strategy 2018/19

- 7.6 Engagement across the council is ongoing and as set out in this report, which includes liaison with all service areas, using social media to report key messages and fraud awareness sessions. Recent sessions in Q3 were held at the School Business Managers' forum, School Governors' forum and with Housing Management staff. We reviewed and updated our strategy, which was presented to committee in March. Further fraud awareness sessions are being planned for Registrars, Electoral Services, Benefits and Finance.

8. Financial Implications

- 8.1 There are no specific financial implications associated with noting this report.

9. Legal Implications

- 9.1 There are no specific legal implications associated with noting this report.

10. Equality Implications

- 10.1 None.

11. Consultation with Ward Members and Stakeholders

- 11.1 None

12. Human Resources/Property Implications (if appropriate)

- 12.1 None.

Report sign off:

Debra Norman

Director of Legal, HR, Audit and Investigations

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A&SAC FORWARD PLAN / WORK PROGRAMME / UPCOMING AGENDA								
Topic / Date	05-Feb-19	20-Mar-19	24-Apr-19	Jul-19	Sep-19	Jan-20	Mar-20	Apr-20
Internal Audit & Investigations								
Internal Audit Annual Report, including Annual Head of Audit Opinion				X				
Review Internal Audit Charter	X							
Internal Audit and Counter Fraud Progress Reports	X				X			
Draft Internal Audit and Investigations Annual Plan		X					X	
External Audit								
External Audit progress report			X	X	X	X	X	
External Audit plan	X					X		
External Audit - Certification of grants and returns		X				X	X	
Statement of Accounts & External Auditor's Report				X				
External Auditor Annual Audit Letter					X			
Financial Reporting								
Treasury Management Mid-term Report					X			
Treasury Management Strategy & Annual Investment Strategy	X						X	
Treasury Management Outturn Report				X				
Governance								
To review performance & management of i4B Holdings Ltd and First Wave Housing Ltd	X				X			
Review of the use of RIPA Powers		X						X
Receive and agree the Annual Governance Statement			X					X
Risk Management								
Strategic Risk Register Update		X			X		X	
Emergency Preparedness						X		
Audit Committee Effectiveness								
Review the Committee's Forward Plan		X		X	X	X	X	X
Review the performance of the Committee (self-assessment)	X		X	X				
Training Requirements for Audit Committee Members as required								
Standards Matters								
Quarterly update on gifts and hospitality		X		X		X		X
Annual Standards Report		X						X
To consider the Council's response to the report on local government ethical standards issued by the Committee on Standards in Public Life		X						
Review of the Member Development Programme and Members' Expenses		X					X	

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