

**MINUTES OF THE MEETING OF THE AUDIT AND RISK MANAGEMENT
COMMITTEE
HELD ON THURSDAY, 11 JANUARY 2018**

COUNCILLORS

PRESENT Mary Maguire, Guney Dogan, Robert Hayward, Ertan Hurer, George Savva MBE and Peter Nwosu (Independent Member).

ABSENT Doris Jiagge and Toby Simon

CO-OPTED

OFFICERS: Tony Theodoulou (Executive Director of Children's Services), James Rolfe (Executive Director of Finance, Resources and Customer Services), Peter George (Assistant Director, Regeneration and Planning), Steve Durbin (IT Capital Programme & Security Consultant), Jane Senior (Head - People, Procurement & Commissioning, Jon Newton (Head - Older People & Physical DI), Jayne Patterson (Business Development Manager), Jayne Middleton-Albooye (Head of Legal Services), Christine Webster (Head of Internal Audit and Risk Management) and) Metin Halil (Secretary)

Also Attending: Andrew Barnes (BDO)

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WELCOME AND APOLOGIES FOR ABSENCE

Councillor Maguire (Chair) welcomed everyone to the meeting. Councillor Maguire also welcomed new members of the Audit & Risk Management Committee, Councillor Ertan Hurer and Peter Nwosu (Independent Person).

Apologies for absence were received from Councillors Doris Jiagge, Toby Simon, Ian Davis (Chief Executive), Jeremy Chambers (Director of Law & Governance), Bindi Nagra (Director of Adult Social Care), Doug Wilson (Head – Strategy & Service Development), Madeleine Forster (Interim AD of Council Housing and Regulatory Services) and David Eagles (BDO).

There was a private meeting between Members and BDO (External Audit), before the start of the scheduled Committee meeting at 06:45pm in Room 6.

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DECLARATION OF INTEREST

There were no declarations of interest.

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AUDIT & RISK MANAGEMENT COMMITTEE INDEPENDENT PERSON - PETER NWOSU - 07:30 - 07:35

The Chair welcomed Mr Peter Nwosu to the meeting as the Audit Committee Independent Person.

The Committee will be recommending the appointment of Mr Peter Nwosu at Full Council.

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BDO - CERTIFICATION REPORT - 07:35 - 07:45

RECEIVED from BDO (External Auditors) the external audit Certification Work Report 2016/17 to 31 March 2017, relating to details of grant claims and returns, Action Plan and fees.

NOTED

1. This was BDO's annual report to the Committee about the outcomes of their Certification work.
2. As detailed at page 5 of the report, the report outlines the findings on the work of the Housing Benefit subsidy claim. One major finding from this work is detailed in the last paragraph on the left hand column on page 5 of the report. This was a human error that occurred by the benefits team. The team had not applied the correct cut-off date to the claim that they had prepared. The team had included a week's worth of benefits that should have been purported in the 2017/18 period and will be. The £1.3m amendment was made to the claim in respect of this. That money would come back to the Council as part of the 2017/18 budget and was not lost.
3. Findings of BDO's further detailed elements of their work, is outlined on page 6 of the report. They had found a number of small areas where the processing staff had made mistakes with information that had been input into the benefits system. The system was correctly set up using all the correct software requirements to process the cases. Conclusions of this work are outlined in the right hand column on page 6 of the report. These were the key findings from the benefits work which was done and completed in line with the DWP deadline.
4. The second piece of work BDO undertook is detailed at page 7 of the report – 'Pooling of Housing Capital Receipts', where the Government takes a cut of council sold assets (housing) receipts that the Council had received. DCLG (Department of Communities & Local

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Government) asked BDO to look at the Council's correct recording of sales relating to council houses and to report accurately to them about when they are to receive their share of those receipts.

BDO had also identified one error in respect of this particular reserve that fed into the value that had to be reported. The figure of £1.6m should have been input but actually £600k was included by the team.

5. The final piece of work carried out by BDO related to the GLA Procedural Compliance, as detailed at page 7 of the report. This is where the Council has bid for and successfully received funding from the Mayor's Housing Covenant (scheme regarding homes for Londoners), as detailed at page 7 of the report. BDO had now been through this and there were 2 exceptions that they were required to report to the GLA. No action was taken by the GLA and these exceptions are detailed by 2 bullet points at page 7 of the report.
6. The following statements, questions and responses raised in response to the report:
 - a. James Rolfe, in response to the reported overpayments (page 6 of the report), that the amounts talked about seemed very trivial when you talk about £1800 on a £320m grant claim. The auditors are duty bound to report these with this grant claim and is a requirement of the DWP.
 - b. The Chair asked about the small errors made with the grant claims. What happens with the officers in those particular departments, how is this taken forward, do discussions occur with those officers as to how those errors were made and what process is followed? James Rolfe clarified that the department works through the Audit report and findings, as that sets out where the errors are. Officers learn from that and build into their reconciliation procedures. The grant return is a detailed series of reconciliations that pulls the information together from all sorts of different cells in the data base. Sometimes cells get missed and officers learn from that by building these into reconciliation processes.
 - c. The Chair clarified Councillor Haywards question regarding errors BDO had picked up in the certification process which gave rise to the Committee to talk about. Was there a process whereby if there are errors that are occurring, that we look at how that is happening and a discussion with the teams that are involved, to make sure that it doesn't happen again. James Rolfe clarified that in an organisation of 4,000 staff and millions of transactions every year, errors are made. The issue is not that they won't happen again, because they will. The issue is therefore what assurance systems does the council have, in place to ensure that those errors are picked up i.e. surname error, date error. There are all sorts of assurance systems in place to make sure that the data that is recorded in the council's IT systems is as accurate as possible. The best example is OFSTED, who attend Children's Services offices and do case file checks to establish that all case records are accurately recorded.

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There is a similar process that is applied in Adult Social Services whereby the CQC (Care Quality Commission) come in. Another process that customer services data bases use regarding CRM whereby staff check the information being input so that it is held correctly. This refining of data goes on all the time and there are requirements to ensure that it is kept accurate and up to date all the time. But there is not the equivalent in non-financial information as finance has with the auditors who are checking the whole financial information.

Gary Barnes (Executive Director – Regeneration & Environment) also clarified the process for customer complaints.

- d. Councillor Hurer wanted clarification that finance officers report back to the auditors as part of the closure of accounts and that they have understood the errors in the processes reported and how they are being dealt with. James Rolfe clarified that with regards to the annual accounts, the Chief Executive and James Rolfe sign off a document that states that the council have highlighted all the issues they were aware of and that there are appropriate assurance systems in place to make sure the information received is accurate.
7. The Chair thanked BDO for their report.

AGREED that the Grant Claims and Returns Certification Works Report 2016/17 be noted and endorsed by the Committee.

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BDO - PROGRESS REPORT - 07:45 - 07:55

RECEIVED from BDO (external auditors) the Audit Progress Report to 31 December 2017.

1. This was the progress report of the audit for 2016/17.
2. As detailed at page 16 of the report, there is an outstanding item against the Whole of Government (WGA) work. The work had been completed and was awaiting David Eagles (BDO) to sign it off either way.
3. In respect of the Audit Certificate (as detailed at page 18 of the report), there are still ongoing objections work that needs to be resolved before BDO can issue their Audit Certificate.
4. BDO are currently working on the 2017/18 Statement of Accounts and the Pension Fund Accounts. They had made an early start on these so that the faster close deadline requirements can be met. These are the end of July 2018 for the Audit and the end of May 2018 for the finance team.
5. This year's audit had been re-engineered so that BDO are auditing in 2 batches. The finance team had given reports and information up to the end of November 2017 which equates to the 1st 8 months of the

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financial year. These are being audited now over the next few weeks. BDO would then come back and do the last 4 months to the financial year end, in time to achieve the July 2018 deadline.

6. The following questions and responses raised in response to the report:
 - a. BDO would be aiming hard to try and complete the objections to the 2016/17 accounts and to close these down by end of January 2018. The objections were being investigated at present.
 - b. The Chair asked about the earlier completion date for the 2017/18 accounts and if BDO were confident that they would reach the July 2018 deadline. Andrew Barnes (BDO) clarified that they were engaging with finance officers in a different way and that they would be doing their very best to achieve the earlier close down date. BDO have had a head start and 2/3 of the work had already been completed and are in a stronger position. James Rolfe further clarified that the project management activity had already been started and officers are engaging with BDO, commissioning valuations and monitoring deadlines and timescales.
 - c. The Chair questioned what had happened with the valuations information for the 2016/17 accounts and that the valuations contract had been sub-contracted out. Was there anything the Council could do about that and was there now more control as regards sub-contracting. James Rolfe clarified that officers are working closely with the valuer's, as it has been sub-contracted again, due to different types of property valuations. Officers are seeing valuer's, partners and senior partners on a regular basis to make sure they are fully aware of the need to receive valuations information on time.

The valuations were about receiving them in on time including the supporting information. The contract is sub-contracted because of lack of expertise with some of the valuations.
 - d. Councillor Hurer questioned the tender for valuations and why the selected valuer, was not investigated to see if they could carry out all the required valuations. If they couldn't and they sub contracted due to lack of expertise, could the council not cancel the contract and penalise the valuers. Then find another firm who had all the expertise. James Rolfe clarified that the sub-contracting was all done with the Council's knowledge. However, they didn't provide the information required within the required timescales but was escalated quickly enough to do something about it. This was a common problem in the property industry. It is a simple task which is made difficult. Every property company seems to do this and the council had tried a range of them in the past i.e. local valuers and national companies.
 - e. Councillor Hurer stated that with regards to the issuing of the Audit Certificate for 2016/17 accounts, there were only 20 days left to investigate the objections. If the council could not resolve these then would the council need to qualify or was it not

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material enough to qualify. Andrew Barnes (BDO) clarified that it was not material enough to qualify. It was just a legal requirement to close everything down before the Audit Certificate is issued.

7. The Chair thanked Andrew Barnes (BDO) for his report.

AGREED to note the progress report on the external audit to 31 December 2017.

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IGB ANNUAL PERFORMANCE UPDATE 2017/18 AND UPDATE ON GENERAL DATA PROTECTION REGULATION (GDPR) - 07:55 - 08:10

RECEIVED the report of the Executive Director of Finance, Resources & Customer Services providing updates on the work of the Information Governance Board (IGB), changes to data protection rights and obligations introduced by the General Data Protection Regulation (GDPR), the NHS digital audit, the internal review of the National Audit Office Guidance regarding Cyber and Information Security Risk Guidance and any Data Protection breaches or ICO referrals for 2017/18.

NOTED

1. Jayne Middleton-Albooye (Head of Legal Services) presented the report as the Chair of the Information Governance Board.
2. This update report to the Committee concerns the changes that are to be brought in by the General Data Protection Regulations (GDPR) which is coming in on 25 May 2019. The changes are detailed at paragraph 3 (pages 2-4) of the report.
3. The work of the Information Governance Board (IGB) is detailed at pages 4-5 of the report, which highlights the preparation work for the GDPR and the work that they have done for an audit by NHS Digital at the end of November 2017.
4. Data Protection breaches and FOIA referrals are detailed at page 5 of the report.
5. The National Audit Office guidance is detailed at pages 5-6, which had been requested by the Audit & Risk Management Committee.
6. The IGB meets monthly and the new membership had met 4 times. There are sub-working groups and an implementation working group. Attached at Appendix 1 (pages 9-12) of the report is an implementation plan which Steve Durbin (IT Capital Programme & Security Consultant) could answer any questions on.
7. The Board had already approved and reviewed all the policies the Council need to have in place to be GDPR compliant. The Board had also looked at the privacy statement and also had approved that.

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8. The NHS Digital Audit, detailed at page 5 of the report, took place at the end of November 2017. The draft report of the audit was still in progress and Jayne Middleton-Albooye intends to bring the report to a later Committee meeting to provide details of the Audit.

ACTION – Jayne Middleton-Albooye (Head – Legal Services)

9. The NAO guidelines were issued very recently and are an attempt to provide a view on high level cyber security from an audit perspective. These were reviewed in the light of what the team are currently doing and they tried to give a readiness assessment of them. There was a couple of amber ratings in areas the team already knew about. The audit reports on most of those amber areas and most things were in the green. The Council are well covered on mostly everything and there was nothing new in them or surprising. It was nice to have a consistent set of guidelines the team could follow going forward.
10. The following comments and questions made in response to the report:
 - a. The guidelines also suggested that if the Council would still be dealing with the European Union, in light of Brexit, then they would still be required to be GDPR compliant.
 - b. Peter Nwosu (Independent Member), enquired in terms of the plan and to be compliant on the day for the Council, were the team on track. Would the Council be benchmarked externally or was it already being dealt with by in-house expertise within the Council. Steve Durbin clarified that the Council would be as compliant as it could be. However, there were going to be areas of gaps because there were some things the team are not clear of as yet. As this was a moving target, the Government decided to introduce something called 'action fill' to bring GDPR into UK law and was only started in October 2017. The Council are probably already compliant but hadn't got all the evidence to show it.
11. The Chair thanked Jayne Middleton-Albooye for her report.

AGREED that Audit & Risk Management Committee note the overview of the changes which will be brought about by the GDPR and the Data Protection Bill, the progress of the IGB to date, and any deadlines, contained within the implementation plan, to implement GDPR, the inspection of the NHS auditors and comments on the NAO guidance.

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RISK REGISTERS UPDATE - CHILDREN'S SERVICES, HOUSING, HEALTH & ADULT SOCIAL CARE, REGENERATION & ENVIRONMENT - 08:10 - 08:30

RECEIVED the report of the Director of Finance, Resources & Customer Services presenting registers for the Service Delivery operating areas (Health,

Housing & Adult Social Care, Children's Services and Regeneration & Environment Departments).

NOTED

1. Officers from relevant service areas were in attendance to address any questions about their registers.
2. The paper provides the register for the Council Services operating areas that cover 3 departments which include HHASC, Children's Services and Regeneration & Environment.
3. The Chair asked relevant service officers to go through each of their respective risks and to explain how they are being managed.
4. Tony Theodoulou (Executive Director of Children's Services) clarified the following:
 - a. **CS 1718 -02 Missing Children** – A few years ago, the department would identify children going missing from home because they were unhappy about issues going on at home. The department were now seeing young people missing from home in relation to the trafficking of drugs. It had been identified that approximately 30 young people are regularly going missing because they are selling drugs in other parts of the country. As a response to this, the department were putting in additional resources into its missing persons team as have the Police (additional Police Officers), focussing on who is most at risk of being exploited in this was and the department's response to them. This is an area where the risk rating may increase the next time Tony Theodoulou reviews them.
 - b. **CS 1718-03 Increased Service demand** – This was one area, despite the mitigations in place, continues to be red due to uncontrollable issues. Tony Theodoulou provided an example of this regarding a recent murder in Cheshunt (December 2017), whereby 5 Enfield residents were arrested in connection with the murder. The residents were all 14 or 15 years of age and had been remanded to secure accommodation until their Old Bailey trial date in May 2018. If these young people stay in secure remand between December 2017 and May 2018, that would cost the local authority approximately £0.5m.
 - c. **CS 1718-04 Changes in policy & associated legislation** – There would soon be new duties towards care leavers due to newly passed legislation. This meant that the departments duties towards care leavers would be extended to leavers aged 25 from currently aged 21. The risk is that the department have had no clarification about the new burdens funding, which should come with these new duties. There will also be additional resources required, additional staffing, additional commissioning budgets, etc. The department were still waiting for this. This was an example of how new legislation can impact on this work.
 - d. **CS 1718-05 Negative Inspection outcomes** – From January 2018, OFSTED are introducing a new Inspection Framework. They tend to change the inspection framework every 3 years

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and the department will be inspected in the next 3 years under this new framework. The department had participated in a pilot inspection in April 2017, which resulted in a positive and re-assuring outcome.

5. Jon Newton (Head of Service – Older People & Physical Disabilities) & Jane Senior (Head – Procurement & Commissioning Hub) representing HHASC clarified the following 4 risks:

- a. **HHASC 1718-01 Financial Pressures** – This was a consistent pressure for Adult Social Care (ASC). With some elements of ASC you could understand where the pressures are coming from i.e. older people in terms of the demographics and services to be provided. In terms of that pressure some populations were more static i.e. learning dis-abilities who understand their finances. ASC pressures can come from anywhere i.e. provision costs, homecare costs, etc. All internal controls were in place to combat this risk i.e. monthly financial monitoring, decision making, performance monitoring, etc. The department were not doing things wrong but the massive pressures were not dissipating.
- b. **HHASC 1718-02 Workforce** – A market shaping strategy had been agreed within adults including the establishment of a market shaping board to be chaired by ADASS (Association of Directors of Adult Social Services). This would cover 3 key areas:
- Market intelligence & facilitators
 - Quality & engagement with providers
 - People & staff

This will comprise a number of cross functional work streams, bringing together representatives both internally and externally. This would include training departments, skills for care, etc. This would enable the department to develop a coherent workforce development strategy.

The department are working sub-regionally with Councils to look at this area and from that, nurses' operating in residential care in Enfield have been invited to participate in a passport to leadership development programme. This is to support nursing staff because of a general recruitment crisis in care homes. To support their personal and professional development with the aim that they stay longer within care homes.

- c. **HHASC1718-04 Vulnerable Residents** – There is a very well established safeguarding team and a very robust framework around provider concerns with strong links to the regulator CQC (Care Quality Commission). There is also a contract monitoring team who monitor existing providers and providers who want to deliver services in the Borough.

One of the main areas of focus for the Market Shaping board will be quality and how the department can work with the sector to make improvements. Also promoting good practise by bringing in a range of guest speakers to support development initiatives. There would also be some further work with NCL partners, on a

sub - regional, basis to look at how to quality assure providers across the field. To consolidate the departments approach to vulnerable residents.

- d. **HHASC 1718-04 Market Stability & Sustainability** – Provider forums would be one of the work streams contained within the market shaping strategy and considered by the Market Shaping Board. The department will be looking at market intelligence and facilitation which will involve looking into market segments i.e. inter domiciliary care, residential supported living schemes, etc. To fully appreciate the high demand issues, gaps in the market and provider prospective that the department wants to draw upon so as to have a collaborative approach to addressing sustainability issues. As part of that the department would want to encourage diversification and innovation. Understanding market issues is the way to do this. Other mitigating actions regarding this risk are detailed at pages 9-10 of the report.
6. Peter George (Assistant Director - Regeneration & Environment) and James Rolfe (Executive Director – Finance, Resources & Customer Services) clarified the following 3 risks:
- a. **HRA 1718-01 DMT* Right to Buy (RTB)** – This risk is causing a real pressure on the HRA account. The frequencies of RTB had been higher than the department initially forecast with approx.100-150 homes being lost per annum. It is particularly complicated by the rules that are attached with spending the RTB receipts. The Council can only spend a third of the receipts towards the cost of a replacement home. This has to be done within 3 years otherwise the receipts have to be returned to central government plus 4% interest compounded over the period. To date, the Council has not had to return any RTB receipts to central government and have managed to continue to provide replacement affordable homes.
The pressures on the HRA have been compounded by the government's decision to reduce rents over the 5 year period, which has left very little headroom within the HRA. Therefore the Council's ability to match fund the RTB receipts is under real pressure in the short term. One of the risk mitigation measures the Council is looking at is through the establishment of a registered provider company (Red Lion Homes). The Council would provide Red Lion Homes with a third of the RTB receipts, towards the cost of replacement homes and the company could then borrow the two thirds match funding on the private market. The HCA (Homes and Community Agency) has now approved the 1st stage round of applications towards establishing Red Lion Homes Housing Association. Red Lion Homes now had 8 board members, of which Peter George is one and the report going to Full Council this month is recommending that Cllr Ahmet Oykener joins the board as the 9th member.
The Council had projected £45M of RTB receipts over the next 5 years but are reliant on Red Lion Homes being successfully established and set up in order to be able to spend the £45M.

- b. **HRA 1718-02 Estate Renewal scheme** – The Council has one of the larger and more successful estate renewal programmes in London. There are active sites in New Southgate (517 new homes), the Alma Estate and New Avenue (450 new homes). All 3 main projects are all underway and the Council are currently consulting on the next project at the Snells Park Estate/Joyce Avenue which will ultimately achieve 2,400 new homes subject to a ballot this summer. This particular risk relates to the costing of the schemes and ensuring that the Council maintains the financial viable position over time.
 - c. **HRA 1718-03 Universal Credit** – Madeleine Forster's (Interim AD of Council Housing & Regulatory Services) team were currently in the process of running some scenario testing on the HRA based upon what could happen once Universal Credit is fully affecting tenants.
This is part of the departments cross council introduction of the Universal Credit programme board that housing colleagues, CAB and finance colleagues sit on. From other local authorities that have gone live, the council knows that rent arrears arise as a result of Universal Credit. What is not known, as yet, is if this a long term problem for tenants or a short term issue until they understand the new systems. The impact on council housing is just one part of the housing market that is affected by this. There is also temporary accommodation and the Housing gateway affected too. Debt collection teams are working with housing officers to make sure all necessary procedures and advice is in place. At present, the council are still getting rent revenue but it is taking longer to collect.
7. Gary Barnes (Executive Director of Regeneration & Environment clarified the following risks:
- a. **RE 1718-01 Failure to recruit & retain staff** – The department were working to develop internal staff and to go through the use of apprenticeships. They were working with colleges and schools to attract people, at 'A' level stage, into roles and to provide day release training and recruitment, which has been successful.
 - b. **RE 1718-03 Failure to work effectively with centralised Hubs** – The Hubs were now in place and working effectively and this risk should now be removed or should have a green rating next time.
 - c. **RE 1718-04 Budget Management** – The department are looking to work with finance officers to continue the terms of budget management arrangements. The department had been very effective in terms of commercialisation across the department and officers were now working across the Council very effectively.
 - d. **RE 1718-05 Failure to improve the quality of customer service** – The department were continuing to improve the department's web site content so as to improve the ability for people to communicate with the council. The department were

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working with the Customer Services Board, a key part of their improvement project.

- e. **RE 1718-06 Contract Management Failure** - The Council had a large number of contracts. These are regularly reviewed on a monthly basis and where performance is not to the required standard the Council and Gary Barnes use powers to effect change. Ultimately the Council and Gary Barnes are seriously considering the performance of its highway works contractor who it is felt is not performing and not performing within the bounds of contract. The Executive Director has agreed a revision of the contract to attempt to deliver an acceptable performance. If it is not delivered, Gary Barnes would come back to Council with a recommendation to terminate the contract and to go back to market.
8. The following comments, questions and issues raised in response to the report:
- a. Councillor Hayward enquired as to the ages of the young people that were regularly going missing due to selling drugs in other parts of the country. Tony Theodoulou clarified that they were all under 18 with the youngest being probably aged 13.
 - b. Peter Nwosu (Independent Member) reflected on the risk for Missing Children (Children's Services) and asked if this risk would ever have a green rating and what would need to be done to achieve a green rating. Tony Theodoulou clarified that he didn't think it ever would achieve a green rating as there was too much inherent risk involved in the work that Children's Services do.
 - c. The Chair sought clarity within the mitigations for the 'Increased Service Demand' risk and how the department had progressed with those and who the recently commissioned external provider was. Tony Theodoulou clarified that the 2 DCLG/Home Office grants that were available had both been applied for. One had been rejected and the department were awaiting the outcome of the second application. The external providers are called 'Achieving for Children' who run Children's Services at Richmond & Kingston Council's. They were chosen because OFSTED had highlighted the positive work that these two authorities had done with that particular aspect of the service.
 - d. Councillor Dogan's question about the 'Missing Children' risk and if there is a system in place that the authority checks if children are attending school. Tony Theodoulou clarified that the system used had improved over the past couple of years and as a result the list of children missing from education had substantially reduced. The reason being that the department now knows where the children have gone i.e. abroad, other local authorities, etc. Enquiries are made with government agencies and benefit agencies. The department will continue to make efforts to identify where these children have gone until they are satisfied that they know.

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- e. Peter George (Assistant Director – Regeneration & Environment) joined the meeting at this time – 08:15pm)
- f. Councillor Savva comments that he had not been aware of the missing children issue until it was mentioned at the recent Haselbury CAPE meeting by a resident. His question was; as an authority, what are we doing about this as far as awareness is concerned, especially with schools. Tony Theodoulou clarified that this wasn't a new issue and that young people from London have been involved in selling drugs, outside of London, for a very long time. This issue had been highlighted with TV programmes about it. They call it 'running county lines' where young people from London are being told to go into a particular area i.e. council estate and to start selling drugs there. The message that the department gets across to these young people is that there is nothing glamorous about this lifestyle. What tends to happen is that young people get bullied into doing this or promised money/clothes. What the department has found is that the people controlling the drugs arrange for these young people to be robbed of their money and drugs they are carrying, on the street. Resulting in those young people being in debt to the people controlling the drugs, with favours. What they have to do is work for free and are offered to work for 14 hours a day, sitting in a house with a mobile phone, waiting for instructions. It is a miserable life. The department are also using the experiences of people who have come out at the other end, to work with local young people and try to deter them from getting involved in the first place. Sometimes, families are moved out of the borough so they can have a fresh start.
- g. The Chair's comments regarding the HHASC 'Workforce' risk and that it was important to focus on having permanent staff, as we leave Brexit and the number of care workers that may leave the UK including the focus on training. The Chair also asked for more information regarding provider forums which related to the HHASC 'market stability & sustainability' risk. Jane Senior clarified that these forums would comprise as part of the market shaping strategy. There will be a number of different themes involved. The forums will need to be purposeful with a strategic approach. They will provide an opportunity to share intelligence that is gathered at the market, to work with providers so as to understand concerns and then to develop joint approaches.
- h. In response to councillor Haywards question regarding the establishment of Red Lion Homes and its purpose, Peter George clarified the following:
- The Council can spend right to buy (RTB) receipts on providing replacement council homes, as they have done with small housing sites like Du Jardin Mews.
 - The pressure here was the fact that in the short term the HRA business plan doesn't have the capacity to continue to provide 2/3 match funding needed to compliment the

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RTB receipts. The Council cannot provide RTB receipts to a company that it entirely owns i.e. Enfield Innovations, Housing Gateway.

- The Homes & Community Agency (HCA) had introduced rules stating that local government representation must not exceed 24.5% on the board (2 of 9 board members).
 - A further advantage, for the Council, of establishing Red Lion Homes is that it needs more affordable housing in order to bring down the cost of temporary accommodations. The advantage a housing association has over a local authority is that it is subject to the voluntary RTB and the Council is subject to the mandatory RTB. Red Lion Homes would then therefore not volunteer to offer RTB to its tenants. Red Lion Homes will therefore remain as affordable housing helping to address the Council's temporary accommodation and financial pressures.
- i. Councillor Dogan referred to the Council's big commitment with having these large companies. By having this provider (Red Lion Homes), in the short term, how would it meet expenditure and how would it achieve this. Peter George clarified that this depended on Red Lion Homes (RLH) being fully approved by the HCA. The company had already received its stage 1 approval from the HCA. The projections for spending RTB receipts are dependent on RLH being fully established and starting to purchase affordable homes from the 2nd quarter of the next financial period. If it is not established within the timescales the department is proposing, the Council would then be under pressure to acquire affordable homes so as to avoid giving the RTB receipts back to central government. As a contingency, the Council had been buying street properties using RTB receipts and match funding, which has helped. However, the match funding capacity is dwindling, in the short term.
- j. Councillor Hurer asked for confirmation of the discounted percentage that RTB tenants receive and if it was 35%. He also stated that the Council would then only get a third of the discounted amount. Going back into the market the Council would then only be able to buy at market value, so it was a double whammy. Peter George confirmed that the 35% discount figure depended on the length of the tenancy. The Council had been lobbying central government about wanting to retain the entirety of the RTB receipt, to have greater financial ability to replace lost homes. In the autumn budget, the government were silent on this but they did provide the ability for local authorities to bid to increase their HRA capacity if they met certain criteria. This was being looked at.
- k. Councillor Maguire questioned one of the mitigating actions in relation to the estate renewal scheme risk and if a contingency sum had been identified by the HRA & Estate Renewal Governance Board. Peter George clarified that an example of

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this would be the Alma Estate development. The big cost to the council would be the acquisition of the resident leaseholders. The most recent Cabinet report provides a based budget for buying out the balance leaseholders. However, the budget for doing this is based upon the present value of those homes with some movement.. The Council has therefore provided itself with some contingency allowance to accommodate reasonable market movements in the short term.

The Council now had CPO powers confirmed on the Alma Estate, which allows the council to acquire the balance of homes it has yet to purchase. Advice had been taken on the contingency allowances and if the council purchases the homes in accordance with CPO timescales then they will be sufficient.

- I. Councillor Savva enquired about Energetik consumption regarding the council's 3 main estate development schemes. Peter George clarified that all 3 of those projects including the Snells & Joyce development will connect into Energetik. Energetik had already got its second customers at the Electric Quarter which is not a HRA scheme but a general fund scheme. There is going to be a satellite scheme at Alma Estate, Ladderswood Estate and New Avenue in addition to the main scheme which will connect into the Meridian Water development. Energetik estimates there would be enough power to accommodate heating to 100k homes. James Rolfe felt that this risk (HRA 1718-02) should be updated to reflect the fact that financial monitoring wasn't actually the mechanism by which costs are controlling contracts, it is the proper quantity surveying contracts in the first place and the active governance of those. The Chief executive and James Rolfe have jointly sponsored a review with PwC colleagues to see where the capacity could be increased in that area.

AGREED to note the risks recorded in the Service Delivery Registers.

434

SCRUTINY OF RIPA STATISTICS - 08:30 - 08:45

RECEIVED a report from the Executive Director of Finance, Resources and Customer Services requiring the Audit Committee to receive an internal quarterly report from the Monitoring Officer on the use of RIPA within the Council and to note that there have been no applications since the last report. Including, the Inspection by the Office of Surveillance Commissioners (OSC) on the 27th September 2017 and a revised version of the Council's policy and Procedure Document.

NOTED that

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1. During the monitoring period covered by the report and since the last Audit Committee meeting, there had not been any new RIPA applications.
2. The report refers to the inspection that took place by the Office of Surveillance Commissioners (OSC) on the 27th September 2017, who are now called the Investigatory powers Commissioners Office (IPCO).
3. The IPCO spoke to all officers who undertake Covert Surveillance and those who are part of the governance structure. As a result there are a few changes to the policy and procedure document which are very minor.
4. As detailed at 3.12 (page 17) of the report, the summary of the inspection and the report was generally positive and the IPCO felt that staff had a very good understanding of RIPA procedure and policy. All recommendations from the last inspection had been dealt with. There were only 2 recommendations and these are detailed at 3.12 (page 17) of the report as A & B.
5. The Committee were asked to approve changes, as detailed at 3.20 – 3.23 (page 31) of the report. The policy would not need to go to Council, just on an annual basis, the Committee to review the policy.

AGREED to note that the Office of Surveillance Commissioners has undertaken a periodic inspection of the Council RIPA procedures and the approval of the new version of the Council's Policy, which has been amended to incorporate the IPCO's recommendation.

435

ANTI-MONEY LAUNDERING POLICY & GUIDANCE - 08:45 - 08:55

RECEIVED a report from the Director of Finance, Resources & Customer Services (Report No.128) providing an update on the refreshed Anti-Money Laundering Policy and Guidance.

NOTED

1. The report was introduced by Christine Webster (Head – Internal Audit & Risk Management).
2. In June 2017, the European Union's updating of policies and procedures fourth money laundering directive was implemented via the Money Laundering Regulations 2017. These require some significant changes including updating of policies and procedures and more onerous due diligence procedures for relevant services. In particular, the Council's trading companies which undertake regulated services, and are obliged to comply with the regulations.
3. The key changes to the policy are detailed at 3.4 (page 66) of the report. One of the most significant changes is that the Council are required to have a senior person appointed, responsible for compliance

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with the regulations and it has been agreed James Rolfe will be the compliance officer.

4. The policy detailed at Appendix A (pages 71-73) of the report outlines the Council's and its subsidiary companies' responsibility to comply with the money laundering regulations, and replaces the previous policy that was issued in January 2017.
5. The guidance detailed at Appendix B (pages 75-79) of the report, provides advice to enable employees, members and contractors to comply with the requirements of the policy. With directions to facilitate reporting of money laundering suspicions. The Monitoring Officer is Chistine Webster.
6. The following issues raised by Members in response to the report:
 - a. In reply to Councillor Dogan's enquiry about whether staff are regularly trained in relation to money laundering, Christine Webster confirmed that there is a fraud awareness programme and the section have included money laundering as part of that.

AGREED to note the updated anti-money laundering policy and guidance for its implementation.

436

2017/18 INTERNAL AUDIT SERVICE PROGRESS REPORT - 08:55 - 09:05

RECEIVED the report of the Director of Finance, Resources & Customer Services (No.129) summarising the work of the Internal Audit & Risk Management Service for the period between 1 April and 20 December 2017.

NOTED

1. Results of Counter Fraud activity are summarised in Tables 2 & 3 (page 87). For housing recoveries the department were slightly behind target for this time of year. However, temporary accommodation recoveries were above target and have achieved overall 60 out of 100 total recoveries.
2. In terms of savings, the department were over the total target and details for these are set out at table 3 (page 87) of the report.
3. The insurance and risk management service has continued to ensure that risk registers are produced and challenged. There was presentation of the service risk registers earlier on in the meeting.
4. In terms of quality assurance, table 4 (page 88) of the report, summarises how the team are progressing against its own internal targets. The team are on track with all those shown in table 4 except the 'response from managers on draft reports'. This was skewed by the team issuing draft reports before the summer holidays, at schools mainly. The schools didn't respond to the team till they returned from the holidays.
5. The following issues raised in response to the report:

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- a. The Chair was still dis-appointed with 'managers progress with implementing internal audit recommendations'. Overall, 46% of the high priority recommendations and 42% of the medium priority actions had been fully implemented. This was not good enough and the Chair didn't want the committee to note this in the recommendations, the committee wanted it recorded that they are dis-appointed with managers' progress on this matter.
 - b. Councillor Hurer required clarity on the Council Housing recoveries target figure detailed at table 2 (page 87) of the report. Was the figure of 75, by way of admission, that the team recognise there are more houses to recover but have not been found or is the annual target figure (75) based on a historical figure and the achieved figure (32) was all the team had found. Christine Webster clarified that the team assume that there are still houses that need to be recovered. The team had achieved 75 recoveries in the past and that is why the figure of 75 had been set. The team had also suffered in through the year as they had not had a full complement of investigators. The team also relied on the neighbourhood's team to refer to them. The team did not receive these early on in the year, partly because they were focussing on their reaction after the Grenfell disaster.
 - c. Peter Nwosu (Independent Member) asked what the process was for following up on the actions for managers to implement internal audit recommendations.
6. The Chair thanked Christine Webster for her report.

AGREED to note the progress made in delivering the Audit and Risk Management Service's 2017/18 work plan and the outcomes achieved and to note managers' progress with the implementation of internal audit recommendations.

437 MINUTES

NOTED the progress update on actions identified at previous meetings.

AGREED that the minutes of the Audit & Risk Management Committee held on Wednesday 1 November 2017 be approved and signed as a correct record.

438 AUDIT & RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2017/18

RECEIVED and noted the Committee's updated work programme for 2017-18.

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DATES OF FUTURE MEETINGS

NOTED the dates of future meetings:

Wednesday 7 March 2018

(All meetings to commence at 7.00pm unless otherwise agreed.)