

**MINUTES OF THE MEETING OF THE AUDIT AND RISK MANAGEMENT
COMMITTEE
HELD ON WEDNESDAY, 19 JUNE 2019**

COUNCILLORS

PRESENT Mahym Bedekova, Dinah Barry, Charith Gunawardena, Lee David-Sanders and Peter Nwosu

ABSENT Huseyin Akpinar and Birsen Demirel

CO-OPTED

OFFICERS: Fay Hammond (Interim Executive Director Resources), Matt Bowmer (Interim Director of Finance), Tim Harlock (Interim Chief Accountant), Jayne Middleton-Albooye (Head of Legal Services) and Paul Reddaway (Head of Finance Treasury Management) Metin Halil (Secretary)

Also Attending: Lucy Trevett (BDO), Gareth Robinson (Head – Corporate Finance)

67

WELCOME AND APOLOGIES FOR ABSENCE

Councillor Mahym Bedekova (Chair) welcomed everyone to the meeting.

Jayne Middleton-Albooye clarified the Chair/Vice Chair appointments. The Vice Chair is an appointment of Full Council and that will take place at the 10 July Full Council meeting, in the same way that the Chair was appointed at full council.

Members pointed out that many official appointments are made at Full Council but the decision is made elsewhere.

Jayne Middleton-Albooye further clarified that names are put up to Full Council and then these are ratified by full council.

As the Vice Chair item was not on the agenda for this meeting, clarification of the process would be heard at the 4 July 2019 Committee meeting.

Apologies for absence was received from Councillor Akpinar and Councillor Demirel.

There was a new members' induction/training event before the start of the scheduled Committee meeting. (18:30 – 19:00). Presentations were given from Finance, Internal Audit and External Audit.

The presentation slides will be circulated to Members.

(ACTION: Metin Halil (Committee Administrator)

68

DECLARATION OF INTEREST

There were no declarations of interest.

69

AUDIT & RISK MANAGEMENT COMMITTEE PROTOCOL REPORT ON THE DRAFT STATEMENT OF ACCOUNTS - 19:05 - 19:15

RECEIVED the report of the Director of Law and Governance (No.35) providing an update of protocol guidance on conduct and objection to the unaudited Statement of Accounts 2018/19.

The Report was introduced by Jayne Middleton-Albooye (Head of Legal Services).

NOTED

1. The protocol report comes to the Audit & Risk Management Committee yearly and is just for approval.
2. This report outlines the protocol, which will assist the Council in how it deals with any objections/queries in respect of the approved accounts.
3. The report is self-explanatory and the key is it is there to encourage effective scrutiny and to avoid duplication of work by the external auditor.
4. Nothing in the protocol is intended to deprive any member, acting as an elector, of their statutory rights to object or raise an enquiry to the accounts.
5. The protocol is self-explanatory and is standard format of what Councils' do. So we have clarity for all that are involved with the accounts and how the council deals with objections as they arise.
6. The following issues raised in response to the report:
 - a. Members requested that given the volume of paperwork within the draft accounts and the given 5 days was quite tight to read the report, they would appreciate looking at the draft accounts a few days earlier if possible. The Head of Legal clarified that generally, the current constitution states that the agenda be published 5 working days in advance.

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

- b. Matt Bowmer (Interim Director of Finance) apologised for paragraphs 3.3 and 3.6 of the report which showed last years respective dates:
 - Paragraph 3.3 should have stated 19 June 2019
 - Paragraph 3.6 should say 4 July 2019
- c. Members referred to paragraph 1.3 of the report and questioned if the report was a new protocol or a review of a protocol as it presently alluded to the fact that it is a new protocol. The Head of Legal clarified that the report was reviewed last year and each year should be a review as it would be open to the committee to provide comments on it. It is not a new review, the review had happened a few years ago. It was agreed to amend paragraph 1.3 to say the report is an annual review so it did not appear as a new paper.

ACTION: Metin Halil (Committee Administrator).

AGREED that Audit and Risk Management Committee formally approve the protocol guidance to the draft accounts.

70

UNAUDITED STATEMENT OF ACCOUNTS 2018/19 & DRAFT ANNUAL GOVERNANCE STATEMENT - 19:15 - 19:30

RECEIVED the report of the Acting Executive Director of Resources (No.34) presenting the unaudited Annual Statement of Accounts for the 2018/19 financial year and the draft Annual Governance Statement 2018/19.

NOTED

1. The report was presented by Tim Harlock (Interim Chief Accountant) and Paul Reddaway (Head of Finance Pensions Investments).
2. Officers were presenting the draft Statement of Accounts at this meeting and were not expecting detailed questions on the content of the draft statements. Officers' would go through the process so Members would understand and would be able to examine and scrutinise the document.
3. The single entity accounts were completed by 31 May 2019 and the group accounts on 10 June 2019.
4. Questions from Members would be answered at the 4 July 2019 discussion meeting of the 2018/19 draft Statement of Accounts. Officers asked if questions from members could be sent in writing by the 28 June 2019 to them.
5. Since the production of the statement of accounts, Finance have had BDO (external auditors) on site since the 3 June 2019 and have met, on a daily basis with officers. This is to ensure that BDO are receiving the appropriate information they need and that documents are getting through to the external auditors. Officers had identified several errors in the accounts and have informed BDO about these for transparency.

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

6. At this stage the documents are draft accounts and will go through the process of audit. Once BDO have finished with them, that is when they become final accounts and get presented back to the Committee on the 25 July 2019 and ask Members to conclude and sign them off.
7. Paul Reddaway clarified the draft Pension fund accounts. Officers had kept to the same timetable and had submitted the draft Pension Fund accounts on the 31 May 2019. They had already been presented to the Pension Committee a week ago for consideration. The draft Pension Fund accounts would also be heard at the Pension Board for their consideration. They will then be presented back to the Audit & Risk Management Committee on the 25 July 2019 for the committees' opinion. Paul Reddaway expects to complete the draft Pension Fund Accounts 2018/19 by 16 July 2019.
8. The Chair mentioned that ahead of last year's corresponding meeting on the 5 July 2018, a training session, for members, on the draft statement of accounts was held. If members found that helpful, Finance could arrange a similar session ahead of the 4 July 2019 meeting as additional support. Fay Hammond (Acting Executive Director Resources) requested that any questions Members may have, should be sent in writing to Finance Officers by Friday 28 June 2019, as officers would then be better equipped to answer those. Questions could also be answered at the 4 July 2019 meeting aswell, including up until the Statement of Accounts are signed off by the 20 July 2019. Members agreed that a training session would be useful but requested that the training session be held before the 4 July 2019 meeting.
ACTION: Metin Halil (Committee Administrator)
(Post meeting note: The training session has been arranged for Monday 1 July 2019 in Room 6 at 5:30pm, Members have been invited).
9. The following questions and queries raised in response to the report:
 - a. Members enquired if the External Auditors Management Letter would be available to the Committee before the 4 July 2019 meeting. As sometimes that raises issues that Members should be aware of and often prompts a policy issue on reserves that may prompt deeper scrutiny. Lucy Trevett (BDO) clarified that they were planning to present the Audit Management Letter at the 25 July 2019 committee meeting and not the 4 July 2019 committee meeting, as her team were only doing this work presently. BDO would provide a verbal update on the key issues at the 4 July 2019 committee meeting. It may be possible for members to submit to BDO questions, in writing before the 4 July 2019. There would also be an opportunity for members to ask questions when the final accounts are brought to the 25 July 2019 committee meeting.

AGREED to note:

- (1) the draft unaudited annual Statement of Accounts for 2018/19, which were completed and published on the website by the new statutory deadline of 31 May 2019.

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

- (2) That BDO's report and Audit Opinion on the final audited statement of accounts will be presented to the Committee for approval on 25 July 2019.
- (3) the additional meeting to be held on the 4 July 2019, to discuss the Statement of Accounts in further detail.
- (4) the Pension Fund Accounts which are subject to approval by the Pension Fund Board.

71

BDO - PROGRESS REPORT 2018/19 - 19:30 - 19:40

RECEIVED from BDO (external auditors) the 2018/19 External Audit Progress report to 11 June 2019.

NOTED

1. The report was presented by Lucy Trevett (BDO).
2. This is BDO's progress report and where they are, having completed the interim audit back in February/March 2019. As detailed on page 113 of the report, the table illustrates BDO's progress, where work has been completed and previously reported to the Committee. The key completion and reporting dates are also noted within the table.
3. As detailed on pages 114-115, the Audit progress 2018/19 which details the planning letter, Audit plan, Interim visit and the final audit visit.
In terms of the interim visit by BDO in March 2019, the vast majority of work had been completed with a few parts of work outstanding.
In terms of BDO's final audit visit, they had received the draft final statements by 31 May 2019. However, it did not include the group accounts and therefore received a rag rating of amber. Although BDO had not started the work on the group accounts they did need the accounts to re-calculate the materiality levels.
4. BDO had also identified a number of material adjustments which will be made to the accounts and which will impact on the materiality calculations and level of work BDO have to do.
5. Although BDO had completed most of the work at the interim visit, there were a number of documents, BDO had requested, they had not received particularly around IT general controls work. A number of key working papers were requested 3 June 2019, which had not been provided. Most of these had now been provided albeit a week late.
6. In terms of the Whole of Government Accounts, this work would be done, and a review undertaken during the financial statements audit at the final audit visit.
7. In terms of Use of Resources work, BDO were in the process now of updating work on the significant risks. BDO had attended a strategic liaison meeting on the 3 June 2019 and are in the process of updating their assessment of the Council's arrangements, financial out-turn and updates to the 2019/20 budget, medium term financial plan and

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

Meridian Water Project. The Audit Certificate, as detailed at page 117 of the report had been given an amber rating.

8. The following questions and queries raised in response to the report:
 - a. Councillor David-Sanders asked for confirmation that the Audit Letter would be received at the 25 July 2019 Committee meeting but no sooner than that. Lucy Trevett clarified that BDO would be presenting the Audit Letter at the 25 July 2019 Committee meeting. BDO would know at that meeting all work that is outstanding.
 - b. Members questioned if the deadline of 31 July 2019 for the Audit Certificate will be achieved despite an amber rating. Lucy Trevett clarified that they are hoping to achieve that and were working closely with Tim Harlock (Interim Chief Accountant) in order to quickly resolve any issues BDO find.
 - c. Members reiterated that there seems to be a repeat of last year's issues causing considerable delays. Have BDO now got everything available i.e. resourcing issues from last year, consolidation issues, etc. The committee wanted some assurance that the 2018/19 Statement of Accounts would be signed off by 31 July 2019. Lucy Trevett clarified that BDO did not have all the documents they need from Finance at present i.e. valuations documents. Although they had received valuation reports. Questions had been sent to the valuers and BDO are awaiting responses from them and arranging a meeting with them. All BDO's work was in progress. Matt Bowmer further clarified that one of the major elements of the audit is the balance sheet and Council assets which was a problem last year. A 3-way meeting with BDO, the valuers and officers would resolve any queries this year.
 - d. Members requested if there were completed sections of the accounts that members could scrutinise if the accounts are delayed. Lucy Trevett clarified that nothing could be distributed until its reviewed by partners. No conclusions could be drawn if the accounts were distributed earlier.
 - e. Fay Hammond (Interim Executive Director of Resources) commented that, as new members of the committee could not visualise what it is, they will be reviewing (statement of accounts) it may be helpful to look at last year's accounts as part of the training session using ISO260. Officers could show members the kind of issues that were encountered last year and talk about what has been done this year.
 - f. Peter Nwosu (Independent Member) reminded the committee that there were a lot of problems last year as regards the accounts with BDO producing a detailed plan and an additional committee meeting being arranged. He was trying to understand why the rating for sign off was not green and why, have BDO now received the requested documents from finance, if not, had a date been set when would they receive the documents. Had BDO gone to this level of detail to give the committee a degree of comfort that would assure members that the sign off deadline

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

would be met or were there still open-ended questions and what was the process to close any open-ended questions.

Lucy Trevett clarified that her team had weekly progress meetings. For the past 2 weeks, discussions had been had regarding the team's progress and going through that in detail, all the requested documents since 31 May 2019, ticking off what we have received. BDO's understanding is that they have virtually now received all the requested documents. The BDO team now must calculate what their sample size is going to be and pick their samples. However, it was not a case of these are all the documents requested, there are still many more documents that BDO would need to receive over the next few weeks.

Tim Harlock (Interim Chief Accountant) further clarified that for example if there is an expenditure figure of £30M listed in the accounts, auditors will tend to say is that there is £30M in total and there are 851 items that make up that figure. Can we see the sample size of these items i.e. a random sample. This request is then transferred to Finance who send onto Council services asking officers for particulars of invoices and why the invoice was raised. The problems that Finance encounter is that some officers are on annual leave which leads to delays in receiving those documents and information. BDO also now face a shorter time frame in which to complete the ISO260, It used to be 3 months but is now 2 months.

Peter Nwosu commented that the planning cycle should bear these issues in mind and that officers should be on the front foot by identifying the larger items that cover 60% of the 851 items and be prepared for that.

AGREED to note BDO's 2018/19 Progress report to 11 June 2019.

72

IGB ANNUAL PERFORMANCE YEAR END UPDATE 2018/19 & GDPR IMPLEMENTATION - 19:40 - 19:50

Received the report of the Director of Law and Governance presenting the IGB annual report 2018/19 including GDPR implementation update.

NOTED

1. The report was introduced by Jayne Middleton-Albooye (Head of Legal Services) and was to update members on the work of the Information Governance Board (IGB) that Jayne Chairs.
2. The report sets out the work of the IGB. Last year was very important for the IGB as GDPR came into force and the whole of the previous year, officers were preparing for this and has now been implemented since May 2018.

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

3. Assurance was given that the Council has complied with achieving GDPR and that information governance systems across the Council are looked at regularly including any data breaches.
GDPR is important in many ways but not least because it introduced a high level of fines and some councils have already started to receive those fines. Fortunately, this council has kept out of that so far. However, you can now have breaches of up to 4% of your turnover, which would not be a good situation to be in for this council.
4. As detailed at paragraph 3.3 of the report, which states that part of GDPR was required to bring in a data protection officer (DPO). This officer must be independent of the Council and report to the highest level of the Council. The DPO takes a report each year to Cabinet, on his work. He must be an expert in his field and adequately resourced. The DPO attends IGB as well, to give advice, review policies, implement training, etc. Training is important, because if the Council did have a breach, it would be then to show the Information Commissioner's Office (ICO) that the Council has mitigating measures in place and may then assist in saying something has been done. This may lead to a less than expected fine or nothing at all. The Council has very compliance with GDPR training. There is also a cyber security module, which is mandatory for all staff.
There has also been an audit of compliance with GDPR and have been provided with an overall reasonable assurance, as detailed at paragraph 3.5 of the report. Internal audit had found 4 medium risks and 3 low risks.
5. The Council also has a security working group, which feeds into IGB, and meet separately. They deal with systems and security breaches and provide updates to IGB to show an overall picture of any incidents. They also produce an annual report and as detailed at paragraph 3.6 of the report, the table details the breakdown of data breach incidents. There had been 59 breaches of data loss and of these only 3 were reported to the ICO.
6. As detailed at paragraph 3.7, three annual reports are attached.
7. The following questions and queries raised in response to the report:
 - a. As detailed at page 20, bullet point 3, Contribution towards extension adaptations means that the Council may have a disabled property and may have to extend that property.
 - b. Councillor David-Sanders asked how effective staff training was for data retention, considering the medium risk finding around this. Jayne Middleton-Albooye clarified that the training is broad and data retention is one aspect of information governance. This has been recognised from the audit and that staff are only allowed by law to keep certain things for a certain length of time. There is a policy which states that documents can be kept for 6 years. Audit team found that not all staff know how long they should be keeping things and what they should be deleting from the systems beyond the 6 years.
Internal Audit have provided an action plan whereby the IGB have to implement any recommendations made by internal audit to

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

mitigate the risk of data retention. Internal audit will always follow up all recommendations if they are not implemented.

- c. Councillor David-Sanders asked how Enfield compared around the ICO reporting. Enfield only reported 3 data loss incidents to the ICO in 2018/19. Jayne Middleton-Albooye would speak to the DPO and report to the Committee.

ACTION: Jayne Middleton-Albooye (Head of Legal Services).

- d. Councillor Gunawardena queried the MEQ response times, as detailed in section 5 (page 26 of the report). This was the comparison of MEQ responses for 2017/18 and 2018/19. Jayne Middleton-Albooye clarified that the first bar chart relates to volume. MEQ's have increased but the percentage has not gone up. We recognise we have problems in this area. The 74.3% of MEQ's were answered in time but it should have been 95%. The teams have now been split with MEQ's & Statutory Complaints with Claire Johnson (Head of Scrutiny and Governance) and FOI's, Complaints and SAR's under Jayne Middleton-Albooye. MEQ's are not as complex as Subject Access Requests (SARs) with differing levels of complexity as concerns statutory complaints and FOI's. The teams are being monitored and if the need arises, more resources may be added.
- e. Councillor David-Sanders asked what had changed with SARs, had they become more complex. Jayne Middleton-Albooye clarified that the teams had some challenging staff issues. There is now a new stable team that have just been recruited and there should be an improvement in turnaround response times.

8.

73

DRAFT ANNUAL SCHOOLS INTERNAL AUDIT LETTER 2018/19 - 19:50 - 20:00

RECEIVED a report from the Director of Law and Governance presenting the Draft Annual Schools Internal Audit Letter 2018/19.

NOTED

1. The report was presented by Gemma Young (Head of Internal Audit and Risk Management).
2. The Annual Schools Audit Letter is prepared yearly and goes out to Head Masters and other schools' personnel. The audit team also attend meetings with Headmasters and risk managers to go through the findings.
3. The team carried out 13 schools' audits in 2018/19 and of those 3 were substantial, 7 were reasonable, 2 limited and 1 with no assurance. The number of actions raised had declined from 206 (2015/16) to 145 (2018/19). The prime areas of concern remain with controls around procurement and income.

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

4. The team set everything out in the letter but essentially, they have had issues around governance, finance returns, contracts and purchasing – as detailed at pages 7-10 of the report.
5. The team would continue their schools' audits for next year.
6. The following questions and queries raised in response to the report:
 - a. Peter Nwosu (Independent Member) wanted to understand the framework of this schools' audit letter, and the accountability. Gemma Young clarified that the team always follow these up and they always go to the governing body. So, it is the governing body of each school that is accountable. The team did not audit school academies as have a different regime and report directly to the Department of Education. Their funding is also different. But main frame schools are funded by Local Authorities, so the council has a responsibility to monitor that funding. Ultimately it is the governing bodies and often audit is a wakeup call for schools governing bodies. Schools governors are often surprised at how accountable they are for funding. Schools are audited every 2-3 years.

AGREED to note the contents of the draft letter due to be issued to Headteachers, Chairs of Governors and Chairs of Finance Committees and the issues raised in the letter and provide comment on this draft letter.

74

CORPORATE RISK REGISTER - 20:00 - 20:15

RECEIVED a report from the Director of Law and Governance, presenting the Corporate Risk Register.

NOTED

1. The report was presented by Gemma Young (Head of Internal Audit & Risk Management).
2. This was the first time the Corporate Risk Register had been presented to the committee. Previously, there was always directorate-based risk registers. There had been a lot of input from Executive Directors, Directors and Heads of Service into the Corporate Risk Register. Gemma Young intends to bring the Corporate Risk Register every quarter to the Committee.
3. The Risk Register contained the overall immediate risks for the Council, and underneath, sit operational risks. Gemma Young presented the Council's immediate Corporate risks as detailed on pages 151-155 of the report.
4. The following questions and queries raised in response to the report:
 - a. Councillor Gunawardena referred to the two risks marked as high and asked what the mitigations were for these. Gemma Young clarified the mitigations for the following current high risks:

- CR01 – Budget Management – Finance have many mitigations in place for budget management i.e. using Horizon scanning which supports the process of building organisational resilience and is one part of a suite of tools which can help practitioners understand and prepare for future risks. The Brexit plan which considers a separate Brexit risk register and considers what the financial impact that Brexit may have. The team could try to mitigate this further, but no one knows what settlement there will be with Brexit and what will happen in 3 years. So much is outside of our control and that is why it remains a high risk.
 - CR11 – Housing – This risk remains high because of the huge ambitions the authority has in terms of housing and the associated risks. An example of this is the Meridian Water project which is earmarked for 10,000 units of housing and despite the mitigations in place it remains a high risk to deliver all the units required.
- b. The Chair asked how often the Corporate Risk Register is updated and how is each potential risk allocated to an officer. Gemma Young clarified that the big risks tend to be owned by the Executive Directors, but there are operational risks sitting underneath these that will be owned by Heads of Service and officers below that. In terms of review, it will be looked at by the Assurance Board, chaired by the Chief Executive, every quarter. However, before that happens, Gemma Young would be sending the Corporate Risk Register round to all Executive Directors to see if there are any updates. The team also plan to attend departmental meetings as well on a twice year basis. This is to see what may be emerging i.e. if risk is still relevant, to change the rating, etc. So, these risks are reviewed quarterly by the Assurance Board and quarterly by the Audit & Risk Management Committee and are continuously being updated.
- c. In response to Councillor Gunawardena's enquiry about CR11 – Housing risk and the housing strategy programme, Gemma Young clarified that the housing strategy runs for at least 3 years and is very much a long-term strategy rather than year on year. The housing team will be at the heart of the Meridian Water (MW) project and would have a programme on MW i.e. acquiring the land and negotiating with developers. The housing team would also be working alongside the MW team to ensure that what is being delivered is within that strategy i.e. certain percentage of affordable housing.

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

- d. Peter Nwosu enquired what should we expect from the comprehensive Corporate risk register. There are 2 high risk items which need to get to medium. The other risks, given the nature of them, are medium. Should we expect them to be medium or lower. As a committee, should we be looking to ensure that we are in that medium space generally as regards the risks. Gemma Young clarified that it would be difficult as they are such high risks and she would be worried if the Council are scoring these as low. Because they are such high risks, Gemma Young would not expect to see many of them drop through the year.

Members of the committee should be happy with the mitigations, what is the assurance that we are mitigating those, should you call in officers and question them on the housing strategy, how are you delivering what has been agreed by the council to deliver, etc.

Changes to the Corporate risk register will be reported back to the committee. The key here is, are we doing everything we can to control this risk and how can you assure me.

- e. Councillor Gunawardena queried CR12 – Major Capital Projects and its medium rating. Given the scale and size of some of these projects, was medium the correct rating. Gemma Young clarified that it is correct. The Capital Board which sits in the middle and has officer oversight of all the Capital Programmes. This has been in force for about 6 months and has made a big difference. Previously, capital projects existed within their own directorates. The Capital Board meets monthly and is a frequent control of these projects. The risk is at medium at present but is always under review.
- f. Fay Hammond clarified that CR01 – Budget Management is a high risk of the budget. A paper was heard last year about financial resilience of the local authority (October 2018) because officers deemed it a risk. The paper will be heard again at the October 2019 committee meeting. We could ask officers concerned with the Housing high risk to also do the same (CR11 – Housing).

ACTION – Gemma Young (Head of Internal Audit & Risk Management).

- g. Members felt that the Corporate risk register should be a standing item at every committee meeting. Given that the Council has this risk register, are there any material risks that have changed or should be added to, since the committee last met. The committee has a responsibility to note that risks have been assessed and are being dealt with appropriately and if there are risks identified by this committee they should then be actioned by officers. A proposal will be made, through the Chair, that this item should be a standing item even if the committee note that nothing material has changed. Gemma Young clarified that the Corporate risk register is an item on virtually all the scheduled committee meetings.

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

The Chair stated that this will be discussed with Gemma Young to provide this information at the next scheduled committee meeting, Corporate Risk Register to every meeting or quarterly.

ACTION – Gemma Young (Head of Internal Audit & Risk Management).

- h. Councillor Barry stated that the committee needs to know, from the risk register, what has changed, any movement, risks that remain high and what is being done to mitigate those. Gemma Young clarified that what she is proposing to bring then are 2 versions of the Corporate Risk Register. One would be the final version and the other will show where the anecdotal changes are and should be less confusing.
5. The Chair thanked Gemma Young for her report.

AGREED to note the risks recorded the Corporate Risk Register.

75

COUNTER FRAUD SERVICE ANNUAL REPORT 2018/19 - 20:15 - 20:25

RECEIVED a report from the Director of Law and Governance, presenting the Counter Fraud Service Annual Report.

NOTED

6. The report was presented by Gemma Young (Head of Internal Audit & Risk Management) and was the Annual report of the Counter Fraud team who prevent and detect fraud throughout the year.
7. Overall, the team have identified overpayments of £3.85M which is an increase of 60% over from the previous year (2017/18).
8. The team had done a lot of work on Council housing, Right to Buy (RTB) and No recourse to public funds (NRTPF). Counter Fraud (CF) had supported Council housing and temporary accommodation teams in recovering over 100 properties.
9. The CF team had denied 30 RTB applications equating to £3M. Often with denied RTBs other types of fraud are uncovered aswell i.e. council tax fraud, housing benefit and sub-letting council properties.
10. As detailed at Table A (pages 165-166 of the report), the section has levied 3 financial penalties for council tax fraud offences i.e. single person discount. As a result, 106 entitlements to single person discount were withdrawn and 3 financial penalties levied equating to £76k in income for the Council.
11. In terms of the team's pro-active exercises, a National Fraud Initiative (NFI) is currently being undertaken and the results will be reported back to the committee at the October 2019 meeting.

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

12. The CF action plan has been in place throughout the year and includes a dedicated investigator within Children's Services to look at every NRTPF claims that come in. This often uncovers safeguarding issues with claimants' children. There are also 2 officers embedded within Council Housing and this arrangement seems to be working well.
13. During 2018/19, the team had investigated 3 cases of whistleblowing.
14. The following questions and queries raised in response to the report:
 - a. Councillor David-Sanders commended Gemma Young for her good report. Outcomes were demonstrated, members could see monetary value behind the preventions and what the council is recovering. A good piece of work.
 - b. The Chair enquired if the same targets are used every year. Gemma Young clarified that she now had an apprentice in the team with another in the new year so she would be well placed to stretch targets i.e. council housing may have a target of 75 as opposed to 60.
 - c. The Chair asked how staff are trained and the policy delivered to officers as regards the whistle blowing policy. Gemma Young clarified that the policy is only on the Council web site and work needs to be done around the induction of staff and introducing them to counter fraud measures sooner. Gemma Young would like to encourage more staff to come forward where they have concerns. However, there had already been 3 cases of whistle blowing so far this year.
 - d. Gemma Young responded to members regarding the resourcing of the CF team. The team were well resourced, including the arrival of 2 apprentices this year, but could always do with more as could other council services.
 - e. Councillor Gunawardena required clarity regarding the £3m saving made from denying RTB claimants who are not qualified. How many RTB properties were involved that equated to the saving of £3m. The discount applied for RTB properties was £110.5k for each property and there were over 200 RTB properties involved.
 - f. Peter Nwosu questioned who made the decisions around prosecutions as there seemed to be very few of these advertised. Did the council share data with other London Boroughs. Gemma Young clarified that with prosecutions, the team reviews cases and if they think the Council should prosecute, a file is prepared and sent to Legal Services. However, sometimes there are reasons why the Council decides not to prosecute i.e. chronic illness, disability, etc.
There are instances where data is shared with other London Borough's via NAFIN. The Council is a member of NAFIN. The Council is also currently in a CIFAS pilot which not only involves local authority data, but also data from HMRC, Police and other agencies. The Council are also involved in the National Fraud Initiative (NFI) which is a statutory exercise (every 2 years) that shares data from all Local Authorities. The team were at the beginning of this journey regarding the sharing of data.

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

- g. The Counter Fraud team are only concerned with money laundering that comes into the Council. Local business money laundering is a Police matter.
- h. The Chair enquired about any pending fraud investigations there were and how many of these at present. Gemma Young would have to check the Case Management System and report back to the Committee.

ACTION – Gemma Young (Head of Internal Audit & Risk Management).

AGREED to note the outcomes of the work of the Counter Fraud Team for 2018/19.

76

INTERNAL AUDIT ANNUAL REPORT 2018/19 - 20:25 - 20:35

RECEIVED a report from the Director of Law and Governance, presenting the Internal Audit Annual Report 2018/19.

NOTED

1. The report was presented by Gemma Young (Head of Internal Audit & Risk Management).
2. This year, the team had covered 60 subject areas and Gemma Young was satisfied that enough internal audit work had been undertaken to allow her to give an opinion of the advocacy and effectiveness of governance risk management control.
3. The audit opinion for 2018/19 is that reasonable assurance can be placed on all these areas. Overall, a reasonable assurance is quite an achievement given the budgets and external factors.
4. As detailed at page 74 of the report, the 2018/19 Internal Audit Assurances were 6% - substantial, 47% - Reasonable, 38% - Limited and 9% - No Assurance. This was only part of the basis for Gemma Young's audit opinion.
5. As detailed at page 175 of the report, issues identified from the 2018/19 audits were 0% - Critical, 14% - High, 43% medium and 43% Low.
6. As detailed at the table on page 175, progress with management actions were 73% of high-risk actions and 72% of medium risk actions had been implemented. A slight deterioration from last year. The actions that were not implemented were all in progress and none were marked as 'not implemented'.
7. There was a reduction of 11 audit reviews from the agreed audit plan but 19 new assignments were added. On the subject of training and members referring matters to Gemma Young, members were encouraged to let Gemma Young know if they had any areas of concern, whether that be their own observations or through their constituents.

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

8. As at the end of March 2019, the team had delivered 100% of the internal audit plan against the target of 95%.
9. Through the year, Gemma Young had attended the Assurance Board, EMT meetings and many departmental meetings.
10. Internal Audit activity had conformed to the Public Sector Internal Audit Standards (PSIAS). There would be another independent review this year and would be reported back to the committee once it has been carried out by CIPFA.
11. The following questions and queries raised in response to the report:
 - a. Councillor Barry was surprised with some of the audit findings and asked how normal that was or whether financial constraints were pushing some of these findings up. Gemma Young clarified that this was in line with other Local Authorities in London. The team try and work with officers to make reasonable recommendations that contain the main areas of risk. However, when key officers leave the Council, some areas do fall down.
 - b. Councillor Barry enquired what sort of tracking system the team use to follow up on recommendations so as to ensure they are dealt with and what processes does the section have. Gemma Young clarified that in terms of following up with recommendations made, the team follow up all the medium and high-risk recommendations. Recommendations not Implemented are brought to the Assurance Board, chaired by the Chief Executive and attended by the monitoring officer, Head of Legal and Head of Internal Audit. Officers are questioned on the non-implementation of recommendations, what their action plan is to implement and what the suitable date would be for the team to re-visit to see if recommendation has been implemented or not. The team using a tracking system which produces weekly reports so the team can see immediately which recommendations are red or green. This is taken very seriously.
 - c. Councillor Barry requested that risks to health and Safety i.e. residents, people in care, children coming out of care, children's playgrounds, etc. should be brought to the Committee as well as financial risks. To see receive feedback, how they have been dealt with, what was learnt, etc. Gemma Young agreed and would include those in the report, particularly the high-risk ones.
 - d. Councillor Gunawardena referred to funding cuts that have unseen consequences on resources. How would the team have mitigated those unseen consequences due to funding cuts? Fay Hammond clarified that the Council did not necessarily want a huge audit team, with there being so many controls in place within the organisation that it stopped you from doing your work. There is a balance here. Gemma Young would describe that as the risk appetite for the organisation. If every audit was substantial, Gemma Young would think 'are we over controlling the organisation'. It is good to see a few areas that are outstanding. This was about how much we tolerate.
 - e. Councillor Barry referred to the ethical standards audit, as detailed on page 187 of the report, and confirmed that there is a

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

high risk finding on the code of conduct in terms of officers' declaration of interests. Gemma Young clarified that this audit covered officers', but they did have a Members' ethical standards audit which would be in Audit Plan. The team would be looking at declaration of interests at meetings and ensuring these have been declared and up to date. This would also be applied to officers' as well. These would come to the committee every quarter.

AGREED to note the work completed by the Internal Audit team during 2018/19, the key themes and outcomes arising from this work and the Head of Internal Audit and Risk Management's annual audit opinion on the system of internal control for the Council.

77

2019/20 INTERNAL AUDIT PLAN AND INTERNAL AUDIT CHARTER - 20:35 - 20:45

RECEIVED the report from the Director of Law and Governance presenting the 2019/20 Internal Audit Plan and Internal Audit Charter.

NOTED

1. The report was presented by Gemma Young (Head of Internal Audit & Risk Management).
2. This report had come to the Committee in March 2019 as a draft audit plan. The audit plan has been put together from risk registers by seeing and discussing with Executive Directors, Heads of Service and Directors – what they think their key risks are.
The team also look at what has been looked at before over the past 3-4 years, what has not been looked at recently and services not based at the Civic Centre.
3. The team also uses Horizon Scanning which helps to look at any big changes, legislative changes on the horizon in the year or any changes for a particular service area. CAKE (cumulative auditor knowledge & experience) is also used by using officer experience and knowledge gained to provide answers to questions raised about the service over the previous year.
4. As detailed at pages 217-223 of the report, Gemma Young drew members attention and clarified a few of the planned audits, as follows:
 - Contract Management
 - Risk Management
 - Complaints Handling
 - Commercialism
 - Financial Resilience
 - Early Years Payments
 - Mental Health
 - Meridian Water Project Governance
 - SEN Transport

AUDIT AND RISK MANAGEMENT COMMITTEE - 19.6.2019

- Local Authorities Trading Companies Plan
- Schools'

The team are also looking at a large number of financial audits.

5. The Internal Audit Charter 2019/20 is brought to Committee every year.
6. The following questions raised in response to the report:
 - a. Councillor Gunawardena queried the Local Authorities Trading Companies plan and asked if it covered joint ventures like Norse Ltd. He asked, because Norse Ltd was subject of a recent Call-in by Members. Gemma Young clarified that Norse Ltd was covered by audit a couple of years ago and is not on the audit plan for 2019/20.

Councillor David-Sanders also clarified that the concerns were around company governance and what the Council were doing in terms of their side of the contract. Gemma Young agreed that she would include Norse Ltd into the Contract Management audit.
 - b. Councillor David-Sanders asked if contract management covers where contract management sits within departments and how that's governed from a point of contact within the Council to the contractor, etc. Gemma Young clarified that the team would be looking at things like:
 - How contracts are being managed.
 - What key performance indicators the team are receiving back.
 - Meetings and the formality of those meetings.

AGREED to provide comment and feedback on the contents of the 2019/20 Internal Audit Plan, to agree the 2019/20 Internal Audit Plan and Charter and to note that the plan will be subject to change during the year as the Council business and priorities change.

78

AUDIT & RISK MANAGEMENT COMMITTEE ANNUAL REPORT 2018/19 - 20:45 - 20:55

This report will now be presented at the 25 July 2019 Committee meeting.

79

MINUTES

AGREED that the minutes of the Audit Committee meeting dated 6 March 2019 be approved and signed as a correct record.

80

**AUDIT & RISK MANAGEMENT COMMITTEE WORK PROGRAMME
2019/20**

RECEIVED an outline work programme for the Committee covering the 2019/20 Municipal Year Committee.

NOTED

1. Agreed to add CR11 – Housing risk to the Work Programme for report purposes.

AGREED to approve the outline work programme for 2019/20.

81

DATES OF FUTURE MEETINGS

To note the dates agreed for future meetings of the Audit & Risk Management Committee:

Thursday 4 July 2019
Thursday 25 July 2019
Thursday 17 October 2019
Thursday 16 January 2020
Thursday 5 March 2020

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