

**MINUTES OF THE MEETING OF THE AUDIT AND RISK MANAGEMENT  
COMMITTEE  
HELD ON THURSDAY, 29 SEPTEMBER 2016**

**COUNCILLORS**

**PRESENT** Mary Maguire, Guney Dogan, Jansev Jemal, Doris Jiage, Terence Neville OBE JP, Robert Hayward, George Savva MBE and Chaitali Roy

**ABSENT** James Rolfe (Director of Finance, Resources and Customer Services)

**CO-OPTED**

**OFFICERS:** Isabel Brittain (Assistant Director of Financial Management), Julian Edwards (Interim Assistant Director Children's Social Care), Asmat Hussain (Assistant Director Legal & Governance Services), , Steve Durbin (Interim Head of IT), Madeleine Forster (Housing Programme Manager), Christine Webster (Head of Internal Audit and Risk Management), Ann Freeman (Assistant Head of Finance), Vivian Uzoечи (Insurance Manager), Paul Reddaway (Head of Finance Treasury Management) and Ian Slater (Head of Financial Planning & Reportin) Metin Halil (Secretary)

**Also Attending:** David Eagles (BDO), Andrew Barnes (BDO) and Stephanie Bettinson (BDO).

**151**

**WELCOME AND APOLOGIES FOR ABSENCE**

Councillor Maguire (Chair) welcomed everyone to the meeting.

Apologies for absence were received from Councillor Lemonides (Cabinet Member for Finance & Efficiency), James Rolfe (Director – Finance, Resources & Customer Services) and Roy Baker (Assistant Head of Finance).

There was a private meeting between Members, BDO (External Audit) and Christine Webster (Head – Internal Audit & Risk Management) before the start of the scheduled Committee meeting.

**152**

**DECLARATION OF INTEREST**

There were no declarations of interest.

153

**ORDER OF AGENDA**

The Committee agreed to alter the order in which items on the agenda were considered at the meeting. The minutes reflect the order of items as listed on the agenda.

154

**BDO - AUDIT COMPLETION REPORT ON STATEMENT OF ACCOUNTS 2015/16 AND USE OF RESOURCES - 19:30 - 19:40**

RECEIVED from BDO (external auditors) the Audit Completion Report on the Statement of Accounts 2015/16 and the Use of Resources.

NOTED

1. The report presented BDO's audit findings of the 2015/16 Statement of Accounts, the financial statements opinion. The report was introduced by Andrew Barnes (BDO) who highlighted:
  - a. In terms of the Key Audit and Accounting Matters, as detailed on pages 154 -167 of the report, highlighting significant risks that BDO had recognised, identified and first reported in the BDO Audit Planning report in February 2016:
    - Management Override of Controls – This was a difficult risk because, management can do effectively what they want to override controls that are in place. Posted journals are also looked at and BDO undertake a large data analysis exercise. Once the correct data format had been achieved, BDO were able to perform their work on journal entries and concluded that these were appropriate for the preparation of the financial statements.
    - Revenue Recognition – The key thing mentioned was that BDO found a small number of errors in the cycle, detailed at page 155 of the report. By looking at the overall effect of these errors, BDO were able to compare purchase statements in respect of where items are classed at and coded into wrong financial years.
    - Property, Plant and Equipment (PPE) Valuations – BDO had an issue with the reported valuations at the end of the year. This was due to valuations taking place at the start of the financial year, as detailed on page 156 of the report.
    - In terms of other risks, reported to the Committee at the start of the year, all of their work and all the work done by

## AUDIT AND RISK MANAGEMENT COMMITTEE - 29.9.2016

the accountants, BDO did not find any significant issues. All the work had been done in an appropriate manner.

- Related Party Transactions (as detailed at page 158 of the report) – Issues had arisen during the course of the audit and in respect of PPE, this was around classifications of some assets under construction. This was due to project officers not informing the financial management team that some of the assets had been certified as complete, before the end of the year and were therefore misclassified. The expectation from the finance teams was that these assets were still ongoing. However, this didn't make any difference to the overall effect in the balance sheets.
  - Writing Out of Depreciation – This identified error was a result of accumulated depreciation, reported in the accounts and detailed at Page 159 of the report.
  - Non-Enhancing Capital expenditure – BDO investigations suggested that the expenditure incurred was valid capital expenditure and therefore have agreed with the accountants' that the figure of £68.9m will be moved to the Revaluation decrease recognised in the LBE row of the accounts.
  - Accumulated Staff Absences Provision – This affected teachers, where they had earned the right to holidays, up to 31 March 2016 and had not taken these. So there was an accumulated overspend of the accumulated provision, because of an error in this calculation to reflect what leave had been taken by the end of the financial year. This will be adjusted by next year and BDO have reported this as an unadjusted error in Appendix II as detailed at Page 181 of the report.
  - Classification of Grant Income in Disclosure Note 34 – One item was listed in the grants income area, which in fact was not a grant but a different type of funding and therefore was a misclassification.
  - Creditor Cut off – This item was about some of the cut off testing where BDO check that items have been entered into the correct financial years. An overall actual error of £28k was found, where there were items included in the wrong financial year. Having extrapolated BDO's statistical view was that there is potentially a £2.1m amount in 2015/16 financial year which should be in 2016/17 year. This has been reported as an unadjusted error as detailed in Appendix II on Page 181 of the report.
  - VAT Debtor and Creditor – as detailed at Page 160 of the report.
  - As detailed above, these were the key issues arising from the Audit.
- b. In terms of the Use of Resources, as detailed on pages 174 – 177 of the report:

- Sustainable Finances - There were three risks that BDO had highlighted to the Committee regarding the medium term financial plan (MTFP). The Council is facing a challenging financial time with Central Government reducing the level of funding it receives, with demands placed on the Council increasing. BDO have therefore looked at plans in place to address that gap. The Council are doing a lot of work to make this happen, to deliver that level of change and to implement the things the Council are trying to do. The Council has had to use quite a lot of reserves in 2015/16, as has been detailed at page 174- 175 of the report. Plans have been put in place and are appropriate to deliver these changes. The work the Council are doing, it would not have an impact on the Value for Money conclusion (VFM).
- Enfield 2017 – This transformation project has been a long running re-structuring review about how the organisation works. BDO have looked at the programme in place to implement this and have concluded that they are suitable and appropriate in delivering the project. As a result significant cash savings are being realised. A large number of staff redundancies had occurred.
- Meridian Water – This is another very large scale, highly complex and long term regeneration project. BDO are looking at the progress of the project to date and the plans in place for the future. BDO concluded that the project is being run in a suitable manner and the plans in place will deliver it.

An objection had been received by BDO relating to the way the work on the project has been undertaken.

- c. Appendix II, as detailed on pages 181 - 182 of the report highlights the unadjusted audit differences. Appendix III, as detailed at page 183 of the report, highlights BDO's recommendations and action plans with most of the management responses provided and agreed for implementation.

2. The following issues raised in response to the report:

- a. Clarification was sought by Chaitali Roy (Independent Member) regarding the uncorrected classification misstatement of £13.7m, as detailed at page 158 of the report (Assets under Construction). BDO had identified a total value of £4.3m, but there still remained an actual uncorrected amount of £8.3m. BDO clarified that this was correct. The £4.3m was transferred and moved to the correct area. The £8.3m had not been moved from 'Assets under Construction'. This figure was not material to the financial statements and BDO would extrapolate the error of £5.4m. This error had no effect on the balance sheet and did not take it over the materiality threshold.

## AUDIT AND RISK MANAGEMENT COMMITTEE - 29.9.2016

- b. Clarification by BDO as regards the writing out of depreciation risk, the overall effect of this risk is nothing, because the draft accounts showed that the accumulative depreciation figure was over stated as well as the overall original gross costs. These had been netted off and did not make a massive difference.
- c. The accumulated staff absences provision (page 160 of the report) process by which the Council account for school's staff absences was still the same and correct. The model showed that these absences (leave) had been taken after the financial year end for 2015/16. But in reality these absences had started 3 days before the financial year end. Therefore the £4.1m element should have been recognised as leave taken by teachers within the financial year. Accountants were now aware of this issue and systems would have to be changed to accommodate this issue.
- d. Clarification by BDO that the extrapolated error of £6.4m relating to grant income disclosure was accounted for by accountants but was a different kind of funding and not a grant.
- e. BDO clarified that the assets detailed on the balance sheet did reflect the true position of the Council. BDO had looked at the assets detailed in the draft accounts initially and then having reviewed that information including what the valuers had said, BDO concluded that the Council was now in a better position.
- f. Councillor Neville's concern regarding Enfield 2017, the £31.6m of savings sought during 2015/16 and the figure of approx. £28m spent on agency staff and if BDO had taken account of this significant amount of spending. Clarification by Isabel Brittain (AD – Corporate Finance) that the savings achieved within the Council are based on actual spend within the Council. As an example, the 2015/16 spend on agency staff would be taken into account and whether or not the Council says it will deliver the savings, it will be the same in 2016/17. Agency staff are being used just before teams are re-structured in order to give the Council a more flexible work force and reduce long term redundancy costs. Those costs were fully accounted for and the savings shown were not just a budget paper exercise and is a net figure.
- g. BDO were confident that they would be signing off the accounts by the statutory deadline but there was some further work to do as regards the audit completion. BDO enquired whether there was a contingency measure by which they could communicate, through the Chair, regarding any further identified errors that may be above their trigger level. This is due to the fact that BDO have some further pieces of work to complete and if any identified errors are above their trigger level, these would need to be reported back to the Council. The Chair agreed that these communications can be sent through the Chair of the committee and then distributed through the committee administrator.

**ACTION: Metin Halil – Committee Administrator**

## AUDIT AND RISK MANAGEMENT COMMITTEE - 29.9.2016

- h. BDO also clarified that in terms of the other issue, for completion of the audit, they had received 3 objections to the 2015/16 statement of accounts. Two had been received from Councillor Neville and one from a member of the public. None of these objections had been completed yet so the Audit Certificate could not be issued to close the accounts. BDO would need to focus on whether or not the objections had a material impact on either the financial statements or the conclusion of the use of resources. Whilst there may still be issues arising from the objections, there was nothing that BDO consider to have a material impact on their Accounts opinion or their use of resources conclusion. They would report back to the Committee once the objections work had been completed. The requirement by CIPFA for concluding the objections was 9 months, but BDO were not expecting to take that long.
3. Pension Fund Report – the key matters reported were as follows:
  - a. Management Override of Controls as detailed at page 6 of the report – There is a risk of management override of controls regarding the Council Pension Fund. No issues were identified in the review of appropriateness of journal entries and other adjustments made to the financial statements.
  - b. Revenue Recognition – This is specific to pension funds in relation to contributions to the scheme. To test assurance, BDO tested a large sample of contributions made to the present fund on a monthly basis. These are then traced back to payslips and generally there were no problems. Despite one issue relating to employee contributions external audit were quite happy with the contributions being made.
  - c. Fair Value of Investments (infrastructure & Private Equity) has been detailed on page 7 of the report and Fair value of Investments (other) has been detailed on page 8 of the report.
  - d. Investment Management Expenses – These have been fairly stated within the financial statements and the published CIPFA guidelines have been taken into account. The Council Pension team have made a really good effort by going through the reports and identifying those expenses separately and presenting them in the accounts. The Council Pension Team are a step ahead of the game, by actually implementing the CIPFA guidance to obtain and separate these additional charges.
  - e. Membership Disclosure – This is a large area of the accounts and work on this is in progress.
  - f. Consideration of Related Party Transactions – These are always a risk but do not always cause concern to the Pension Fund. As detailed at page 9 of the report, audit work is currently ongoing.
  - g. The next 3 items, detailed on page 9 of the report, are notes and not risks:
    - Investment Assets Note
    - Late Payment of Contributions

## AUDIT AND RISK MANAGEMENT COMMITTEE - 29.9.2016

- Fair Value Hierarchy Disclosure
  - h. Control Environment (Significant Deficiencies) – This looks at the way deficiencies operate and one way of looking at this was by looking at contributions and benefits payable, as detailed on page 15 of the report.
  - i. There was an audit adjustment, as detailed on page 18 of the report, which has been corrected in the financial statements.
4. The following issues raised in response to the report:
- Management expenses had been worked out at £7.2m and the pension team have listed those separately in the accounts and have already reported this to the Pension Committee.
  - Chaitali Roy (Independent Member) questioned the Pension liability assumptions, as detailed on page 10 of the report. This was about the net pension liabilities decreasing by £25.6m and the key changes to the assumptions relating to an increase in the expected future lifetime from age 65 for both men and women of 0.1 years and an increase in the discount rate from 3.2% to 3.4%. How had this been worked out. Clarification by BDO that the real issue was would be where the discount rate fell. The discount rate worked in the opposite direction, although its increasing it actually reduces the liability.
5. BDO expressed their thanks to Isabel Brittain and her finance team for their assistance over the past few weeks.

**AGREED** that the Audit Completion Report on the 2015/16 Statement of Accounts for the year ended 31 March 2016 be noted and approved and as a result the Council's Financial Statement of Account be recommended for approval.

**155**

### **FINAL AUDITED STATEMENT OF ACCOUNTS 2015/16 -19:15 - 19:30**

RECEIVED the report from the Director of Finance, Resources and Customer Services requesting approval of the final audited 2015-16 Statement of Accounts for Member's approval and to note the adjustments between the draft and final audited Statement of Accounts, in accordance with regulations.

NOTED that

- The 2015-16 draft Statement of Accounts were approved by James Rolfe on 30<sup>th</sup> June 2016 and presented to the Audit & Risk Management Committee on the 4<sup>th</sup> July 2016 for information.
- On 1st September 2016, the Audit & Risk Management Committee went through the Draft Statement of Accounts in more detail and raised questions.
- Once approved and the Chair of the Audit & Risk Management Committee and the Director of Finance, Resources and Customer

## AUDIT AND RISK MANAGEMENT COMMITTEE - 29.9.2016

Services certify the audited Statement of Accounts, the Statement must be published by 30<sup>th</sup> September 2016 together with the Audit Opinion.

- At the time of preparing the report, BDO (external auditors) had not completed their audit. Any new adjustments identified and their impact will be provided to the Members accordingly.
- As the audit process was not complete, the Chair requested that the Audit Committee approve the Statement in its current form and give James Rolfe and the Chair, permission to sign off the accounts once the external auditors are happy with the final version.

**AGREED** that the Final Audited Statement of Accounts for the year ending 31 March 2016 be approved and the Certification of Accounts and Annual Governance Statement signed by the Chair (Councillor Maguire).

156

### 2016/17 AUDIT AND RISK MANAGEMENT SERVICE PROGRESS REPORT - 19:40 - 19:50

RECEIVED the report of the Director of Finance, Resources & Customer Services summarising the work that the Internal Audit and Risk Management Service (ARMS) had completed for the period 1 April 2016 to 19 September 2016.

NOTED

1. During the review period, the internal audit team had commenced 47% of the current plan of which 4% had been completed.
2. Some changes had been to the 2016/17 Audit Plan, primarily to help the Council achieve savings by reducing the cost of internal services. This has meant that that the service has reduced and re-thought how they are going to deliver some of the current audit plan. Details are shown in table 2 (page 3 of the first agenda) of the report. In summary, this has resulted in a reduction of the total days the team audits the plan by 200 days which will save approximately £60k - £70k through a reduction in the PwC contract. There would be no impact on the in house team from that.
3. Arising from the Audit meeting in July 2016, there had been some updates on the audits that were completed during 2015/16 but were given 'no assurances'. At the July 2016 meeting the committee requested updates on those 3 audits. These were:
  - Payments to families with no recourse to public funds
  - Private sector leasing
  - IT disaster recovery

Pages 4,5 & 6 of the report provide paragraphs from the responsible managers for those audits and who are in attendance today. Christine Webster (Head – Internal Audit & Risk Management) invited the Committee to ask any further questions to the responsible managers in



response to their reports and the Chair asked manager's if there was anything further they wished to add to their reports. The manager's were Julian Edwards from Children's Services, Madeleine Forster from Enfield Council Housing and Steve Durbin from Corporate IT.

- a. Julian Edwards – He agreed that the audit process had been helpful. The system in place wasn't sufficiently tight and wasn't working effectively. Other Local Authorities were bringing in different systems and the new system that the department were developing was very much in line with that of Lewisham Council. Details of the Lewisham model had now been sent out to all London Borough's. The new system positions a Counter Fraud officer alongside social workers and Housing staff at the initial screening stage as regards payments to families with no recourse to public funds (NRPF). The new system comes into operation next week after a pilot scheme, with a review built in for January 2017. Over the 14 families that the department saw during the pilot period of the system, 10 were accepted as legitimate and legally needed to be supported by the Council. However, there were 4 families that were refused as a result of counter fraud involvement. This is a significantly improved system and will allow the department to turn the curve in total expenditure patterns.

The following issues raised by Members in response to the report and clarified by Julian Edwards:

- Families were put in the NRPF category because they have not got a legal entitlement to stay in the UK and they have not had any final decision made about deportation. This could be a lengthy process that is made by the Home Office. In extreme cases it can take up to 5 years before a decision is made. In that period of time the Council has to provide housing, subsistence and any other services that may be required to support these families.
- In addition to the new families, the department will also look at the 80 households the Council is supporting at present.
- Children's Services had asked Internal audit to come in because of concerns regarding payments to families' with no recourse to public funds.

Children's Services would be providing a further report after the review of the new system in January 2017.

**ACTION: Julian Edwards (Interim Assistant Director – Children's Services).**

- b. Madeleine Forster – Work on reducing the number of outstanding gas safety certificates, would not depend on implementing a current re-structure in the department and good progress was now being made. At the beginning of September 2016, there were 128 outstanding gas certificates and within a month this figure had reduced to 104. The team is steadily reducing the number of outstanding certificates. Processes had

now been agreed with the relevant Hub, whom are still administering a large part of this, by bearing down on tenants to allow the department access and the owners of properties to comply with Council requirements to provide gas safety certificates. Confidence within the department that they have turned the curve on this risk but will still take a while to address the larger outstanding gas certificates because there may be a need to take a legal route on a number of those. Processes had now been agreed by legal and tenancy teams and are now aligned to the new processes.

The following issues raised by Members in response to the report and clarified by Madeleine Forster:

- The Chair enquired how long the legal cases would take. Madeleine Forster clarified that there were 40 properties at present where the teams have no access and are following this up with contractors and tenants. We now start chasing tenants before the gas certificates expire using the housing management process which the new process has been modelled on. Therefore, by the time the gas certificate is due and teams have not been able to gain access to properties, the teams have managed to take legal action to enter. This action would take some time to deal with the backlog, where applications have to be made to court. In addition there are 26 further cases where the department is waiting for gas certificates from landlords who were now being chased and action will be taken if those are not received.
  - Councillor Neville stated that a gas certificate should be obtained before allowing tenants into properties. Madeleine Forster said that this is what the department would be doing going forward. She could not assure the committee that this was the case. This was what should have been happening and may well be the case. Madeleine would find out this information and report back to the committee.  
**ACTION: Madeleine Forster (Housing Programme Manager).**
  - The internal audit team had taken a sample of these cases to audit and found that all the sample properties had been gas certified once but they had not been re-certified or renewed and were out of date. These were not new lets.
- c. Steve Durbin – The internal audit identified seven high risk findings and at the time the managed facility was being provided by the previous outsourcer. IT disaster recovery is now in-house and teams have agreed new disaster recovery arrangements with Corporate Management Board (CMB). A business continuity disaster recovery board has been set up which meets regularly to oversee IT disaster recovery. There is now a single dedicated officer in IT, responsible for this. This project has now

been initiated with a company called 'Sungard' who have been doing disaster recovery for 30 years and are working with other London Local Authorities to create a new workable disaster recovery (DR) system. These days DR is needed a lot less due to more resilient systems being built with these being spread across several geographical areas. If there is failure in one geographical area then it switches automatically to another area. Therefore DR is now mostly concerned with older systems or systems that cannot be replicated. A completed version of the new system is now in place with testing due to start next week. The test is due for completion by November 2016 and Steve will feedback to committee after this date. Christine Webster also confirmed that Internal Audit will be doing a follow up audit of IT disaster recovery.

The following issues raised by Members in response to the report and clarified by Steve Durbin:

- Testing of the new system is done by pretending there is an IT disaster but without an actual IT disaster. This cannot be done on-site because of the running live system. Teams have to travel to Heathrow to build systems and ferry users down there to test and make sure everyone is confident about it before signing it off in that way. The department are hoping to cut costs further by installing a communications link that doesn't put the Council's main systems at risk.
- The Council's set objectives on IT disaster recovery are beyond what was possible, as detailed at 3.10 (page 6) of the report.
- The Chair requested a full report on the outcome of the new processes regarding IT disaster recovery, which Steve Durbin agreed to.

**ACTION – Steve Durbin (Interim Head of IT)**

4. In terms of Managers' progress with implementation of recommendations, chart 1 (page 7) of the report, summarises progress with implementing management actions. Overall 36% of high priority actions had been implemented. The remainder are either progressed and a few recommendations that were not implemented. In particular, 2 high risk recommendations for FRCS had not been implemented as detailed at Table 3 (page 7) of the report.  
Since the production of this report, Christine had received information that GVA had now agreed the sub-contracts with Spencer Craig & Knight Frank. The sub contracts mirrored the terms of proposal with GVA in that the contract runs to February 2017 and there are options to extend if necessary. In addition, several headings for reporting have been agreed. Standard report format should be agreed within the next few weeks and a revised target date of 1 October 2016 has been given. Internal audit will follow up this risk again next week.
5. In terms of Counter Fraud achievements, there is a summary detailed at Table 4 (page 80) of the report.

## AUDIT AND RISK MANAGEMENT COMMITTEE - 29.9.2016

The team have recovered 19 Council houses so far this year, 1 temporary accommodation recovery and savings from frauds prevented are totalling £572k. To note, that the team have now added in the savings from the prevented fraud and no recourse to public funds (NRPF) cases which amounts to £49,200 for 3 cases. The team have also prevented the sale of 2 right to buy properties amounting to £171,500.

Table 5 (page 9) of the report gives the results of audit servicing measures, which are better than the target dates.

6. The following issues raised in response to the report:
  - a. Councillor Neville mentioned the 36% of high risk recommendations that have been implemented and asked over what period these recommendations had been implemented. Christine Webster clarified that these were all management actions which have passed target dates. They should all have been implemented by the target dates. These recommendations are either outstanding at the beginning of April 2016 or have fallen due in the period from 1 April 2016 to 1 September 2016. The Committee agreed that they would be in favour for Directors to come before the committee to explain why recommendations had not been implemented by specified target dates. The Chair agreed that a timetable should be agreed and factored into the work programme.  
**ACTION: Committee Administrator (Work Programme)**
  - b. Councillor Neville asked whether the savings that are to be made, as a result of the reduction in audit days of 200, offset or would this lead to further errors due to increasing pressures and staff reduction. Christine Webster clarified that the reduction in audit days was a risk but what the department had tried to do was target the reduction to areas where they could provide assurances in different ways. For example, they would be relying on work that BDO will be doing for some assurances around the Meridian Water Project, because BDO were doing that anyway. The team have tried to combine some audits so as to try to deliver them in a more efficient way. The biggest area of reduction was around the financial services audit work which had been delivered through a continuous audit monitoring approach. This meant 3 phases of audits on 10 different systems. They were now reducing this approach to 2 phases instead of 3 phases and targeting the systems that did not provide high assurance. The team were trying to be risk based but if, after reviewing these changes, things got worse then a decision would have to be made to increase audit days.
  - c. Councillor Dogan spoke about Table 3 and the appointed sub-contractors, Spencer Craig & Knight Frank and if there were any implemented checks in place to prevent or detect fraud, so, for example, when applicants apply for leases on Council properties, checks can be made that things are being done correctly.

**Post meeting note from Christine Webster:**

## **AUDIT AND RISK MANAGEMENT COMMITTEE - 29.9.2016**

Prospective tenants undergo various checks before any assignment / new letting is agreed. These include identity checks (passport / valid driving licence / ID cards) being provided, proof of residency (for Non-UK nationals – visa documentation / work permits), and proof of residential address (council tax or utility invoices dated within the last 3 months).

Additional to this are companies house document searches (for corporate tenants), bank / accountants references, CCJ searches and credit referencing. There have been a few cases where these searches have turned up anomalies such as continued limited company failures which tend to indicate not only a lack of creditworthiness but also deliberate credit liability evasion. In these rare cases, further enquiries are made directly to establish whether a prospective tenant can be considered.

**AGREED** to note the progress made in delivering the Audit and Risk Management Service's 2016/17 work plan and the outcomes achieved to date.

**157**

### **AUDIT COMMITTEE EFFECTIVENESS AND LEARNING DEVELOPMENT PLAN - 19:50 - 20:00**

RECEIVED the report of the Director of Finance, Resources & Customer Services (No.88) presenting the results of the Audit & Risk Management Committee's self-assessment of effectiveness and the results of Member's self-assessments of skills and experiences, to identify potential training needs.

NOTED

1. This is a report on the Audit & Risk Management Committee effectiveness. Christine Webster (Head – Internal Audit & Risk Management) had asked members a series of questions about their views on whether the Council was effective against the standards issued by CIPFA.
2. The paper presents the results of that session. The results are presented in Appendix 1 (pages 25-32) of the report, but Table 1 (pages 20-21) of the report summarises the areas for improvement. There are also some proposed actions to take the Committee further forward. Christine asked members if they can read these actions and consider if the service should be implementing those recommendations.

Some of those recommendations have been agreed and implemented. Private sessions have already been put in place with the Chair, external audit (BDO), Members of the Committee and Christine Webster.

## AUDIT AND RISK MANAGEMENT COMMITTEE - 29.9.2016

3. The results of a review of the skills of the committee are also presented in the report. That suggested, the Committee felt it needed further training in 3 areas. Christine Webster proposed that she would be addressing those 3 areas in future.

**AGREED** to note the results of the assessment of Committee effectiveness and actions for improvement.

**158**

### **OPERATIONAL & STRATEGIC RISK REGISTERS UPDATE - 20:00 - 20:10**

RECEIVED the report of the Director of Finance, Resources & Customer Services providing a summary of the Council's departmental (renamed 'operational') and strategic risk registers as updated in August/September 2016.

NOTED

1. This report was a presentation of the Council's operational and strategic risk registers and was presented by Vivian Uzoечи (Insurance and Risk Manager).
2. To ensure that risk registers closely reflect the Council's re-structure and operating model, the departmental risk registers have been renamed as an 'operational risk register'. The table detailed at 3.7 (page 38) of the report shows how client departments fit into the new operating model.
3. The graph detailed at 3.8 (page 39) of the report provides a snap shot of a percentage of risks within operational risk registers as green, amber and red. Overall, 7% of all risks in the operational risk register are red, 7%-8% are amber and 58% are green. A log of the operational risk register is detailed in Appendix 1 (pages 43-51) of the report.
4. Some of these risks were outside of the Council's control, mainly red risks. The strategic risk register is detailed at Appendix 2 (pages 53-54) of the report and mainly contains these red risks.
5. Members attention was drawn to the reporting of risk registers and the team had prepared a time table at 3.15 (page 40) of the report, to enable the team to present risk registers in smaller chunks which will allow the committee to consider risks in more detail. There will also be a representative from each department (each quarterly meeting) attending meetings to provide further information and advice to members' enquiries.

## AUDIT AND RISK MANAGEMENT COMMITTEE - 29.9.2016

6. Councillor Hayward requested that in future if report slides could be screened onto TV display screens so that colour coded risks could be seen clearly.

**ACTION: Committee Administrator.**

**AGREED** to note the risks recorded in the operational and strategic risk registers and the proposed staggered reporting of risk registers to each quarterly Audit & Risk Management Committee meeting.

**159**

### **RIPA UPDATE - 20:10 - 20:20**

RECEIVED a report from the 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 since the last report there has been one application for Directed Surveillance.

NOTED

1. This is a standard report that comes to Committee with regards to the use of RIPA.
2. Members attention was drawn to paragraph 3.13 (page 201) of the report. The authority did have one application for directed surveillance which went through the local magistrate's court and they did approve the use of RIPA.
3. Although the information collected did not lead to a prosecution, it did lead to an internal disciplinary and 2 members of staff from the authority being dismissed. Because this is a public meeting, if members would like more detailed information, Asmat Hussain would be happy to arrange meetings with Members for the actual details.
4. Asmat Hussain (Assistant Director – Legal & Governance) reported that the RIPA authorisation had now been cancelled as the matter had been concluded.

**AGREED** to note the requirements for the Audit & Risk Management Committee to receive quarterly reports from the Monitoring Officer on the use of RIPA within the Council and to note the use of the legislation in the last quarter.

**160**

### **FINANCIAL RESILIENCE CAPACITY BUILDING PROGRAMME UPDATE - 20:20 - 20:30**

RECEIVED the verbal update from Isabel Brittain (Assistant Director – Corporate Finance) on the Financial Resilience Capacity Building Programme.

NOTED

1. This was a leadership programme for finance managers/leaders devised by the Society of London Treasurers and Grant Thornton, back in 2014.
2. The programme started in 2015 and is in its second year. It provides the opportunity, across London Council's, for finance staff to interact and learn together.
3. Last year there were 2 cohorts (2 groups of people) that went through the programme, equating to 54 officers who took part in the programme in 2015. By the end of 2016, where there are 3 cohorts, 72 officers would have taken part in this programme across London Council's.
4. Speakers include Finance Directors and lead Members. The programme helps people who have not worked at certain levels, to understand exactly what direction and strategy they should be looking at including what objectives other Councils have.
5. Feedback from the latest cohort was very positive and inspirational providing help and support to finance officers.
6. The programme is not an overly expensive commitment for the Council and costs approximately £5k per year to participate. For that, each cohort is allowed to send 3 members of staff. To date, 12 members of Isabel's staff have been through this process.
7. Presently, more senior managers have gone through this process. The Committee which organises the training meet regularly to discuss how the programme is progressing and what the next steps are. There is another year for the programme to run and after that the Council will decide how that will continue.

**AGREED** to note the verbal update of the Financial Resilience Capacity Building Programme.

**161  
MINUTES**

NOTED the progress update on actions identified at previous meetings.

**AGREED** that the minutes of the Audit & Risk Management Committee held on Thursday 1 September 2016 be approved and signed as a correct record.

**162**



**AUDIT & RISK MANAGEMENT COMMITTEE WORK PROGRAMME  
2016/17**

RECEIVED and noted the Committee's updated work programme for 2016-17.

**AGREED** that

1.
  - a. BDO further work on the statement of accounts 2015/16. Communications between BDO and the committee regarding further identified errors above their trigger level, can be communicated through the Chair and distributed through the Committee Administrator.
  - b. Report on 'Managing the Savings' to be added to the Work Programme and brought to the next meeting on 1 November 2016 – **Isabel Brittain**
  - c. Report on the review of the new system regarding NRPF in January 2017 – **Julian Edwards**.
  - d. Further information from Madeleine Forster regarding whether gas certificates were being obtained, in the past, before tenants were placed in council properties – **Madeleine Forster**.
  - e. Report on the outcome of the new processes & system regarding IT disaster recovery, after November 2016 – **Steve Durbin**.
  - f. Follow up Audit - IT disaster recovery – **Christine Webster**
  - g. An agreed timetable for Directors to attend committee for missing target implementation dates for high assurance risks.
  - h. Future colour report slides to be projected and viewed through tv display screens.
2. In terms of the report regarding 'managing the Savings' Isabel Brittain clarified that what Finance tended to do, as regards the revenue monitor, was provide a high level view of those savings that have been delivered. That high level view can be brought back to the next meeting with some more detail, because there is a list of those savings already written into the Medium Term Financial Plan. We can show where we are at the half way stage of the financial year in delivering those savings and the Council's ability in delivering those savings within year.
3. In light of the external auditors report, Councillor Neville wanted to see what was being done to deliver those savings, whether they are partially being delivered and what sort of sums involved.

**DATES OF FUTURE MEETINGS**

NOTED the dates of future meetings:

Tuesday 1 November 2016

Thursday 12 January 2017

Tuesday 7 March 2017

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