

**MINUTES OF THE MEETING OF THE AUDIT AND RISK MANAGEMENT
COMMITTEE
HELD ON THURSDAY, 3 OCTOBER 2019**

COUNCILLORS

PRESENT Mahym Bedekova, Tim Leaver, Charith Gunawardena, Lee David-Sanders, Claire Stewart, Peter Nwosu and Nesil Caliskan (Leader of the Council)

ABSENT Huseyin Akpinar, Dinah Barry, Birsen Demirel and James Hockney

CO-OPTED

OFFICERS: Fay Hammond (Fi), Matt Bowmer (Interim Director of Finance), Jeremy Chambers (Director of Law and Governance), Karen Maguire (Strategic Property Services), Bindi Nagra (People), Des O'Donoghue (Brokerage & Market Development Manager), Gareth Robinson (Head of Corporate Finance), Sally Sanders (Head of Financial Assessment), Doug Wilson (Head of Strategy, Performance and Policy) and Gemma Young (Head of Internal Audit and Risk Management) Metin Halil (Secretary)

Also Attending: David Eagles (BDO), Lucy Trevett (BDO)

275

WELCOME AND APOLOGIES FOR ABSENCE

NOTED

Councillor Bedekova (Chair) welcomed everyone to the meeting including new members Cllr James Hockney and Cllr Claire Stewart.

The Chair also confirmed that Cllr Tim Leaver has been confirmed as a new member of the Committee and as the Vice-Chair.

Apologies for absence were received from Councillors Akpinar, Demirel, Hockney and Barry.

The Leader of the Council also attended the meeting.

Councillors' Levy and Maguire were in attendance.

276

DECLARATION OF INTERESTS

NOTED

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

1. Councillor Leaver declared a non-pecuniary interest as he is the Chair of the Pension Policy and Investment Committee and a Director of Housing Gateway Ltd.
2. Councillor Steward declared a non-pecuniary interest as she is the Vice-Chair of the Pension Policy & Investment Committee.
3. Councillor Gunawardena declared a non-pecuniary interest as he is a Director of Enfield Norse Limited.

277

ORDER OF THE AGENDA

AGREED that the order of the agenda be varied, at the request of the Leader, so that item 5 (Brokerage Audit Report) could be heard first.

The minutes follow the order of the meeting.

278

MINUTES

NOTED

1. **AGREED** that the minutes of the Audit Committee meeting dated 19 June 2019 and 4 July 2019 be approved and signed as a correct record.
2. Fay Hammond (Acting Executive Director Resources) confirmed that she had met with Cllr Barry and had spoken with her about item 4 on the agenda, the Action Plan.

279

FINAL INTERNAL AUDIT REPORT - COMMISSIONING (BROKERAGE) - 19:50 - 20:05

RECEIVED the report of the Director of Law and Governance regarding the Commissioning (Brokerage) Audit.

NOTED

1. The report was introduced by Doug Wilson (Head of Strategy & Service Development), clarifying the background of the Commissioning (Brokerage) Audit which was part of the 2018/19 audit plan agreed by the Committee on the 7th March 2019 (pages 157 – 158 of the report).
2. The response to the Brokerage Audit 2018/19 as reported and detailed at Annexe C - pages 179 – 182 of the report.
3. Further annexes within the pack of documents support all the different actions of the audit and the responses to them.
4. Where there had not been a policy in place to explain how the Brokerage Service worked, operated and the criteria used to select

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

providers. There is now a policy in place and the service is clear that there is now a process to follow now.

5. The Brokerage team were now clear as to the process to be followed. The Brokerage Manager will inspect some cases that brokers have managed to check that everything has been done in terms of reaching their decisions. The report also provides some background information in terms of assurance for the new process in place.
6. Impartiality may not always be evident when people are involved in procuring or buying services. There is always a risk that a broker or someone buying the service could have a level of bias towards the buyer in the market. This is the reason why the Dynamic Purchasing System (DPS) was originally introduced. This was an automated and fair way of enabling brokers to push new business out to market, to receive responses back and have a clear evidence base for making decisions. Adult Social Care are reasonably assured that the processes now in place to select buyers who provide home care are reasonably robust, fair and transparent as possible.
7. The following questions, statements and queries raised in response to the report:
 - a. The Leader of the Council had attended the committee meeting because as part of an agenda, the administration must ensure that the Council is as transparent and fair as possible in all that it does as an administration. The administration had decided that several areas needed additional scrutiny. In particular, where finance is involved with known large direct payments to external companies, already in the public domain.

In terms of this audit, this was an opportunity to make clear to committee members of the political commitment of ensuring that appropriate proper processes are in place. The administration was now confident that proper processes are in place and was right and proper that the Audit & Risk Management Committee made public the Brokerage audit report as there were risk areas highlighted that related to the inability to demonstrate the decisions made. In some cases, decisions that led to considerable sums of money being spent and if those decisions were made in a fair, transparent and robust way. The Brokerage Service were unable to evidence that. Particularly concerning was the absence of policies in place which would have informed the way those decisions were made. This has now been rectified, so short after the audit, working closely with finance, officers and those in the Service.

Questions had been raised about the appropriateness of the Brokerage Service sitting in the Finance team where it should be sitting within Adult Social Care (ASC). This was a decision which the Council are currently reviewing. Decisions around how much money will be paid to care providers, where residents need health & social care, should be made by the ASC department and not in the Brokerage Finance service.
 - b. Bindi Nagra (Director of Health and Adult Social Care) clarified that the brokerage service did previously sit in ASC, a few years

ago. But as part of the Council's transformation of its front end and back office services, a decision was made that the brokerage service be moved to finance. The Executive Management Team (EMT) had decided in consultation with Cabinet that the Brokerage Service was a social care activity and not a procurement activity and the service has now moved, as from the 1 October 2019, to ASC. This was the right thing to do as ASC have professional social qualified support and others to support the service.

- c. Councillor Stewart queried the number of care packages awarded per provider and the financial amounts as detailed on pages 191 – 197. A significant number of packages and amounts of money had been awarded to a few providers at the top of the list. As policies and processes were not in place for the finance based Brokerage Service, how were judgement calls made for these awards and was there any information regarding if the decisions made were based on quality or finance. Bindi Nagra clarified that within ASC a lot less emphasis is given on finance generally in terms of when choosing care providers as quality is important to ASC. Within the domiciliary care market, ASC have a price they will pay and only approach those providers within their price bracket. Only when ASC cannot find a provider within their price bracket, they would start looking outside their price range.

The brokerage service uses the online Dynamic Purchasing System (DPS) to source care packages from providers. The provider also can get back to the ASC team through the system to detail that they can provide the care ASC have requested. The brokers' will then have up to 3-4 providers who are all saying that they can provide this care. At this point ASC must make a judgment call about which provider to use. ASC often try to talk to service users or representatives and give them details of the prospective provider and ask their provider preference i.e. language issues, dementia issues. Sometimes customers ask ASC to make the decision. The brokerage service is then requested to document the decision as a case record. The internal audit report on the service had picked out 3 cases of a sample of 20 where no information had been recorded to show how the decision was made. Because of the internal audit, a written policy and a process of self-audits has now been put in place.

- d. The Leader of the Council further stated that documentation is important because there is contextual information and advice given to service users which is difficult to articulate and set out in a policy. It will allow officers to look back at self-audits and a paper trail to show how decisions were made and if they were made in the best interests of residents, gives no unfair advantage to any provider and generally the quality of care. Residents had raised a couple of issues to Councillor Caliskan:
- Issues around quality of care

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

- Residents who had gone to the Council requiring care and who never really had a choice of choosing a provider, never offered to them and a provider pushed onto them.

The fact that there is a perception of the above is a problem. So the Council needs to ensure that the brokerage service audits and evidences documentation to counter the above.

This has now been rectified and is detailed at page 158, 2nd bullet point, of the report.

- e. Bindi Nagra also clarified that the same processes are not being applied to the brokerage service as was done when it was sitting in the Finance department. The differences between the two is that within ASC many audits are done already regarding complicated social care processes as a matter of routine and not done in a finance context.

The Leader further clarified that this was not just a process issue but a clear lack of policy and ability to audit decisions. This was about the most vulnerable residents and families at the most desperate time looking for care. We should therefore allow officers to have that professional social care background to make those decisions.

- f. In response to Councillor Gunawardena's enquiry relating to Annexe E (page 195-197 of the report), Doug Wilson (Head of Strategy & Service Development) clarified that it was a sample of cases over a couple of months. As part of officers' personal supervision, the brokerage manager will meet them on a regular basis to scrutinise a sample of their cases. This is evidence of some provider cases that management scrutinise with the broker. Notes are also evidenced to support the decisions made. This demonstrates better practise as part of the March 2019 internal audit.

- g. In response to Councillor David-Sanders enquiry about the ASC audit process, Bindi Nagra (Director of Health & Adult Social Care) clarified that he would be recommending that internal audit re-run the brokerage audit process next year, to follow-up on the actions. The internal audit was requested by Bindi Nagra a year ago when he added it to the audit plan and internal audit only found medium assurance. However, internal audit does follow up all mid-term recommendations and will not wait till next year to do another full audit. Bindi Nagra requested that the brokerage audit be added again to the audit plan for next year.

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

- h. Councillor Leaver asked when the brokerage service would be moved from finance to ASC as the proposals had been introduced from August 2019. Bindi Nagra clarified that the brokerage service had been moved to ASC as from the 1 October 2019. The team had been doing the work to put assurances in place for the past 6 months. ASC had always worked closely with the brokerage service and would now have management responsibility with them.

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

- i. Councillor Leaver clarified that the audit report had identified the choice of provider with £6m of council managed payments and £20m of direct payments. The top 10 providers accounted for 70% of £6m with 2 major providers having 20%. It seems that the council are consistently relying on 2-3 providers. Councillor Leaver requested a report be brought back to the committee in 6 months' time for the following:
- To show the actual process being used to ensure that it is fair and reasonable.
 - To show value for money and that the service is delivering for vulnerable people and that ASC involvement has made a material difference to the quality of the Brokerage Service.

ACTION: Doug Wilson (Head of Strategy & Service Development) (March 2020).

- j. Bindi Nagra also clarified that there are 70 providers registered as Domiciliary Care providers in Enfield. Barnet and Haringey are contracted with 4 – 5 large providers and still struggle to get care. Therefore, there is a real risk in reducing the number of providers for quality purposes. There would always be times in the year when care provision cannot be found. The way Enfield is structured primarily relies on the council giving individual's money to buy care directly from the market as a direct payment, not excluding smaller providers within our range of providers. The Leader further clarified that it is better for Enfield residents to have a variety of providers. However, the reality was that not all were getting an equal share of the pie and the top 3 providers were dominating as detailed at pages 192 – 193 of the report. Bindi Nagra, in reply, stated that the top 3 providers dominate because they can attract carers at this time. The providers lower down in the list do not have the carers to provide and don't request work as they don't have the capacity. The audit report did not highlight this fact, but the service can now demonstrate this by showing which providers are bidding for which work.
- k. Councillor Leavers concern was that there is a long list of 75 domiciliary care providers and within that there are 2 major providers with the top 12 providers accounting for 70% of total monies. Therefore, if the issues were not just about cost but about social care and ASC can intervene in that process. It then becomes about driving value of services to the end user. The committee shouldn't wait another year to see that the service is working well with the changes in policies and how that is ranking.
- l. The audit report is about assuring that providers had fair access to the care market. To ensure that no providers had an unfair advantage. The internal audit report on brokerage demonstrated that the service was unable to provide that assurance. Some of the quality issues raised by members have already been addressed through Doug Wilson's team.

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

The brokerage service should be looked at in a few months' time (6 months) as regards the new measures introduced through the brokerage service to provide the committee further quality assurances. The Leader did not think that the brokerage function itself, would help the committee ensure that decisions about care and quality are being met. This was already being done through other functions. This was about making sure that large amounts of money going from the authority to organisations were being done in the spirit of how tax payers' money should be spent.

- m. Councillor Gunawardena asked if there were any quality criteria for measuring against providers, to gauge how those providers lower down was performing. Bindi Nagra clarified that providers needed to be registered by the Care Quality Commission (CQC). So' providers have to be licensed to operate. That is a minimum care standard that is required to provide a level of care. Other quality challenges are that some providers are good at providing certain types of care but not other types of care i.e. dementia care, end of life care, etc. It all depends on who owns the company i.e. doctors, some individuals not qualified in providing some types of care. Providers who fall into the CQC rating of inadequate are not used by the authority. The brokerage team would then go and talk to these providers about quality assurance issues, their processes and staff recruitment.

AGREED to note the contents of the Commissioning (Brokerage) 2018/19 audit report.

280

STATEMENT OF ACCOUNTS

- (A) RECEIVED from BDO (external auditors) the LBE Audit Completion Report 2018/19 – ISA260.

NOTED

1. The report was presented by Lucy Trevett (BDO) and David Eagles (BDO) highlighting the key findings overall including an update on the main council fund.
2. The key position on the audit now, as detailed at page 9 of the report in the Executive Summary. Since the report was circulated there were further changes.
There had been 31 adjusted errors adjusted in the accounts and the updated version presented to members. Within that there were 6 material misstatements of which 3 items had adjustments. Several other adjustments listed on page 9 of the report are to do with property, not only valuations but also classifications and the adjustments made to the accounts regarding these.
3. Overall, the 31 adjustments have increased the deficit on the provision of services to £108.6m. BDO have also identified 12 unadjusted audit

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

differences totalling £3.6m which has reduced to £2.5m decreasing the deficit by this amount.

4. As detailed at page 11 of the report, the summary of audit risks had not identified any new risks and is a focus of where BDO's work was.
5. Significant control findings, as detailed at page 12 of the report.
6. As detailed at pages 14 – 17 of the report, non-current asset valuations are where a large part of BDO's work has been.
7. In terms of HRA valuations, this had been the most challenging element as BDO were still focussing on items that were raised in June 2019. Various responses from the valuer had been coming through which have progressed with no definitive answers. BDO were grateful for the support received from the Finance team to get to this point at present regarding direct intervention from finance officers, to receive the answers presently from the valuer, which BDO are still working through. Specially to receive answers that provide assurance. Progression has been made, based on several post code valuations over the past 2-3 years. BDO are in a better position as regards post code coverage. But with greater information this has highlighted and identified some potential hidden issues.
BDO have had several adjustments put through the accounts based on information they have had at present. The HRA valuations has been the biggest issue BDO have had over the past 3-4 months.
8. As detailed at page 53 of the report, use of resources detailing 2 significant risks.
9. As detailed at pages 57 – 61 of the report, a summary of the significant deficiencies and key areas found.
10. As detailed at pages 62 – 63 of the report regarding the follow up of prior year deficiencies. The recommendations cover much of the areas BDO had identified.
11. The following issues and questions raised in response to the report:
 - a. Councillor Gunawardena asked for clarification regarding the Meridian Water (MW) valuation of industrial land and whether that valuation would be different if valued as residential. David Eagles clarified that with MW the CIPFA code requires it to be valued at the highest investor use HIU). But that HIU needs to take into account the state of the land as it is and what it would cost to get to that point. In theory, residential land would have a higher value, however the state of the land would need a lot of investment in infrastructure costs to get to that point. Therefore, at present, it is more valuable as industrial land.
 - b. Councillor Gunawardena referred to a deficiency in the Declaration of Interests risk and if that had now been resolved. Lucy Trevett (BDO) clarified that the document had still not been received and was still outstanding. Jeremy Chambers (Director of Law & Governance) clarified that there was nothing the council could do to enforce the councillor to complete the document or not. It is a voluntary matter whether the councillor fills in the form or not. The councillor did not respond to e-mails, phone calls or other communication which have been made. As an independent councillor officers could not approach political

group whips. Councillor Leaver's request that as this meeting is a matter of public record, could he ask who the councillor in question is. Jeremy Chambers reply that this information would be disclosed under an FOI request and could say now that it is Councillor Coleshill.

Councillor Leaver requested that as a committee, members could raise their concerns and report back to Full Council. This proposal was seconded by Councillor Lee David-Sanders. Jeremy Chambers confirmed that as the committee agrees, he will notify Full Council at the next meeting about this issue. For clarity Jeremy Chambers explained that the form related to party transactions that members and senior officers above a certain grade are required to fill in to say if they have or haven't had contractual relations with the Council.

ACTION: Jeremy Chambers (Director of Law & Governance).

- c. Peter Nwosu (Independent Member) questioned what the risk was for the declaration form not being filled in given it is not statutory. David Eagles clarified that this was because the accounts are required to disclose all related party transactions. The materiality that BDO use for this is both in respect of what the council's position is but also materiality in respect of that related party. So, the councillor in question, has some sort of transaction with the council, then potentially quite small sums will be material to that councillor and are required to be disclosed. So, they are material by nature.
- d. Councillor Leaver's comments that the from BDO's report he understood that work was not finished as regards the council's accounts 2018/19 and what happens now and what the next steps are. David Eagles clarified that the key issue to resolve was the HRA valuations. BDO may require extra valuations work to be done, working through the specific details considering the calculations BDO already have. With the work BDO have already done with the accounts, they look sensible. In terms of errors and compensating for assets that have not been inspected by the valuer, BDO are picking through individual sample items where the valuer has classified items as a typical valuation and is a time-consuming exercise. BDO must account for any significant movements in valuations, from the previous year. This has an impact on both the end of year position and which indexes are used. BDO were not quite there yet but if all issues are resolved in the next week then there was no reason why a final position cannot be reported at the 17 October 2019 committee meeting. However, the accounts cannot be signed off today subject to the HRA valuations work being completed as the HRA valuations are 1% material.
- e. The Chair's comments that we may complete the accounts by the next meeting then and won't require an additional committee meeting, as we had last year. David Eagles clarified that he

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

hoped there would not be an additional committee meeting. He also referred to the announcement of a report on Local Government statistics. The report highlights the fact that 40% of authorities have not been able to meet the end of July deadline to sign off their accounts.

- f. Gareth Robinson (Head of Corporate Finance) said that the statement of accounts did match the ISA260. But there the underlying issue of what the quality reviewer (BDO) may come back with. If the quality reviewer is satisfied and the HRA valuations have been addressed, then this would be the set of accounts that will be signed off.
- g. Peter Nwosu queried the amount of work BDO have done in the 3 months since the 19 June 2019 committee meeting. Especially as there was a plan in place after last year's delay in the sign off to the accounts. Looking at the CIS, it has changed by a £1m which is well below BDO's materiality level. David Eagles clarified that in terms of the CIS, there may not be as much in terms of the net position overall. But in terms of the gross positions, this started off with a re-charge of £115m which was not a trivial number of figures moving around. The adjustment relating to June's gross by expenditure overall was by far the biggest in terms of size involving an adjustment of 35 different areas.
- h. Peter Nwosu commented that discussions a year ago was about valuations as well and discussions have been around the same subject now. How would BDO characterise this in terms of what has gone wrong and to avoid the Council being in this situation next year. David Eagles clarified that the valuations information was not received in February 2019 as was agreed. Therefore, there has been a significant deficiency in the work BDO had to do. This had set BDO a long way behind, due to looking at something 3 months later than scheduled and right at the final audit stage. The audit work had identified the following issues:
 - Records could not be found
 - Data quality issues
 - Records did not support issues found
 - HRA valuations – responses to queries not received till June 2019.
 - Changes to key staff preparing the accounts
 - LBE financial system is dated, not flexible, relies on manual intervention and is not automated.
 - Quality detail is required.

Gareth Robinson further clarified that a complete overhaul is required of the entire process for the close-down of accounts. There are multiple reports building the statement of accounts which are fraught with errors. In practice, the statement of accounts was produced almost on the 31 July 2019 deadline and with no time to review. Automation is required to have time to review to get things right first time.

(B) RECEIVED from BDO (external auditors) the Pension Fund Audit Completion Report 2018/19 – ISA 260

NOTED

12. The Pension fund report described as 'clean' in terms of key issues. There had only been one amendment applied because valuations had been used at an early point in the process. There had been no major issues from the Pension Fund audit and is complete but BDO still have to get a technical clearance on this.
13. The following issues and questions raised in response to the report:
 - a. Councillor Leaver questioned what the delay was regarding the technical clearance if the Pension Fund report was ready 3-4 months ago. David Eagles clarified that the technical clearance could have been done earlier. There was nothing in the accounts to cause this delay and was to do with the process.

(C) Statement of Accounts with ISA260 2018/19.

NOTED

14. Gareth Robinson (Head of Corporate Finance) gave a verbal update.
15. Finance are still anticipating a qualified Statement of Accounts (2018/19) with a qualified status. It means that the Council's partners, suppliers and customers can have confidence in the Council's financial status. Such status allows the Council to attract investment for undertaking regeneration schemes and supports council objectives.
16. The Council were not alone in the delay of its accounts. This is part of a wider issue with other Local Authorities in the same position. The council will be tackling this issue and have a planning phase. There are areas that finance could have done better, and they will reflect on that. Overall, something has to be done by fundamentally overhauling the entire financial year from start to finish including the transformation of the financial system.
17. The following issues and questions raised in response to the report:
 - a. Councillor Leaver agreed that the council needs to overhaul the entire financial process and member support is required to do that. Especially where the council needs to be ready with its next challenges.
 - b. Fay Hammond (Acting Executive Director Resources) clarified that Gareth Robinson had only been with the council for 6 months and is responsible for the Statement of Accounts overall. One thing she wanted to raise was the quality of staff and expertise within the finance team. This could be seen from Gareth Robinson's report (Item 4 – LBE Action Plan) as detailed at pages 145-156 of the agenda. Gareth has great technical knowledge in this area. Finance had recruited looking for technical strength for this role and some of the information in

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

Gareth's report demonstrates the difference that having the right people for the needs of the team, at this time, has made a difference moving forward for the Statement of Accounts production.

AGREED to note the LBE and Pension Fund Audit Completion Report 2018/19 and the Statement of Accounts with ISA260.

281

LBE - ACTION PLAN - 19:40 - 19:50

RECEIVED a report from the Acting Executive Director of Resources presenting the transformation of the closedown process of the Statement of Accounts.

NOTED

1. The report was presented by Gareth Robinson (Head of Corporate Finance) which will be a regular update to the committee.
2. The report was written to reflect the need to undertake a fundamental overhaul of the way the Council processes its accounts. The council is legally required to submit these by May 31 and the Audit of these by July 31. The council needs to organise all its activities to deliver the accounts on time.
3. As detailed at 3.2 (page 146) of the report, there have been improvements with budget holders and all areas of revenue delivering to the timetable, except for schools.
4. It is important to allow time to review the accounts by mid-April to eliminate issues to the audit thus completing the audit quicker. Audit issues have been taken very seriously and looking at past recognised recommendations, there have been very clear attempts to continually resolve them. However, there are more historic issues, as detailed at 3.7 of the report (pages 146-147).
5. As detailed at 3.9 (page 147) of the report, the Council's finance system needs updating and will be a large piece of work to do. There needs to be an automated working paper to reduce the risk of errors within processes. The 3rd party supplier had already been contacted to look at this.
6. There are issues with valuations and the team have already had a meeting with the valuers looking at what is needed to change about the process. There will be a workshop in the next 12 weeks to look at how processes are changed within the financial system and to eliminate the delay in the valuation process. Valuations to be reviewed much earlier in February.
7. As detailed at 3.10 (page 147) of the report, regarding property data quality.

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

8. As detailed at 3.11 (page 147) of the report, regarding a new property management system which will be the solution for property valuations.
9. As detailed at Section 4 (pages 149-152) of the report, looks at how the department are to change processes. The entire process needs to be transformed and the council needs to be able to resolve issues much earlier. There is recognition of a resourcing issue in the short term and potentially in the long term, to be resolved.
10. Members were asked to get back to Gareth Robinson with any further questions they may have. There would be a further committee meeting on the 17 October 2019 where a further action plan update will be heard with regularly updates through the committee cycle.
11. The following issues raised in response to the report:
 - a. In response to the committees concern about the financial system's lack of automation, Gareth Robinson clarified that there would be two parts to the automation process. ICT is a long term project. In the short-term detailed information needs to be extracted from the council's main system. He would be using a structured working paper, used at previous council's, which would be linked into excel to automate all excel processes at its starting point. With a decent set of working papers in excel, for core processes, self-reconciling papers should be able to pick errors along the way. At present, there are no working papers self-reconciling, so every single comparison must be manually done. However, this issue will be fixed as soon as possible. There would be some ICT involvement but mostly excel in the long term. ICT would be the next stage, which is a year away.
 - b. Fay Hammond (Acting Executive Director of Resources) also clarified that the issue was the financial system set up at Enfield. Enfield's system has many bolt-on systems which are not needed and would cost a few million pounds to change. This would be done but needs to be timed correctly as the council were currently looking at changes to other council systems i.e. childrens', housing, etc.
 - c. Councillor David-Sanders agreed that processes need to look at things earlier and managing expectation has been a key concern this year regarding the close-down of the accounts. Now that it had been reported that there are systematic issues i.e. automation required, the committee would need more regular updates on these issues affecting the accounts. Gareth Robinson would be providing monthly update reports to the Committee on the statement of accounts.
ACTION – Gareth Robinson (Head of Corporate Finance).
 - d. Councillor Leaver commented that it was a good action plan. However, it was not just about the system issues, looking at the audit delays, some of these had been about valuations which no accounting system could do. It was about the council's overall approach and seems to be a step change in some of its disclosure, some of its external expert valuations and some systematic issues. Gareth Robinson clarified that much of the work his team are doing now is around 'stretching' data which, if

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

done in a certain way will improve the financial system that the section will get in 2-3 years' time.

- e. Matt Bowmer (Director of Finance) commented that they could not under estimate the impact automation of the financial system will make. Valuations need to be far more extensive and need to validate these more effectively. The post code issue from last year, 2 – 24 postcodes, and the council's valuations were way short from what was required.

AGREED to note the following:

- i) Notes the scale of the challenge to deliver the Statement of Accounts on time in 2019/20
- ii) Agrees the need for a fundamental transformation of all existing processes
- iii) Notes the management response to the property issues
- iv) Notes management's one-off growth in an additional specialist resource in relation to capital for 2019/20 and regulatory changes for which it needs to prepare.
- v) Agrees that members are regularly updated on the Audit Improvement Plan.
- vi) Agrees that Member Declarations are formally reviewed during an Audit & Risk Management Committee.

282

UNIVERSAL CREDIT IMPLEMENTATION UPDATE - 20:05 - 20:15

RECEIVED the report of the Head of Financial Assessment, providing an update on the risks associated with the rollout of Universal Credit.

NOTED

1. The report was presented by Sally Sanders (Head of Financial Assessment) and was a regular item for this committee.
2. The report provides an update on the continuing implementation of Universal Credit in Enfield and the associated risks.
3. As detailed at 3.1 and 3.2 (page 200) of the report.
4. As detailed at 3.3 (page 200) of the report.
5. As detailed at 3.4 (page 200) of the report.
6. As detailed at 3.5 (page 201) of the report.
7. As detailed at 3.8 (pages 201-202) of the report.
8. The Universal Credit risk and mitigation register, as detailed at pages 203-204 of the report.
9. The Chair thanked Sally Sanders for her report.

AGREED that Audit & Risk Management Committee note the contents of the report and the Universal Credit risk and mitigation register.

283

ILLEGAL ENCAMPMENTS IN ENFIELD - 20:15 - 20:25

NOTED

1. This item will now be heard at the 16 January 2020 Committee meeting.

284

BREXIT RISK FOR LOCAL AUTHORITIES - 20:25 - 20:35

RECEIVED a report from the Director of Law and Governance providing an update on current work by the Council around the risks it faces following the anticipated withdrawal of the UK from the European Union.

NOTED

1. The report was presented by Jeremy Chambers (Director of Law & Governance). Just to note that a member of Gemma Young's (Head of Internal Audit & Risk Management), Ejaz Patel had done much of the work putting this report together.
2. The report is an update on the Brexit Risk Register, in terms of which scenario the council is preparing for as a Local Authority. The one the council are required to prepare for is that on the 31 October 2019, the UK leaves the EU with no deal.
3. In terms of risks to the council and its ability to deliver services, this is the worst-case scenario because of many unknowns. So, the council will prepare against that background.
4. Since the report was written, things are happening at national level and between now and 31 October, the council will keep its risk register under review.
5. The council have set up a Brexit Panel (BP) chaired by Councillor Ian Barnes (Deputy Leader) and includes 3 Executive Directors, Directors, various other Heads of Service and invited partners from other organisations. As part of the agenda pack there is the Brexit Panel Terms of Reference as detailed at pages 255 – 257 of the report. The BP meets fortnightly and has a standard agenda where all attendees provide updates and then go through the risk register. The council were also part of the London Resilience Forum which includes all London Borough's, blue light services, military and other organisations.
6. In terms of the risk register, it consists of 3 parts:
 - Appendix A, pages 211-212 of the report and is a statement of the current position as of today. For the risk register for days 1 – 100.
 - Appendix B, pages 213 – 215 of the report and is the short-term risk register and is more detailed.
 - Appendix C, pages 216 – 254 of the report.
7. In terms of positivity, the council risk register is in a good place. Compliments are being received along with requests to copy the format

from other London Boroughs'. As an Executive Management Team (EMT) and Brexit Panel we are as comfortable as we can be with our preparedness for whatever happens on 31 October 2019 or beyond.

8. The risk register is in the public domain on the Council's web site. Signposting central government messages on what people need to do. The authority has invested central government money to assist Enfield residents. The Council are mindful of doing as much as it can to ensure as many EU citizens in the borough apply for settled status.
9. Gemma Young had recently held a longer-term Brexit risk register workshop. She would be bringing back some long-term risks, looking over 3 years. At present the panel were looking at risks for the first 100 days in the 1st year. This work would be done over the next 2 months and would be presented to the Committee and the Brexit Panel.

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

10. Peter Nwosu (Independent Member) enquired about the cost to preparing for Brexit and any costs the Council have incurred to date. Jeremy Chambers clarified that this was being treated as emergency planning and business continuity, in effect. The council have had grants from Central Government which has been used to support the community. Some of the funding had been used to pay for some time for an emergency planning officer.

Fay Hammond (Acting Executive Director Resources) further clarified that the scale of the grant received was approximately £240K which covered this year and last year. Most of the money had gone to CAB who are providing specialist advice for residents who are seeking support for settlement status.

The electoral register was used to identify Euro Citizens and letters sent from the Leader of the Council to all those people with a relevant indicator on the electoral register. So as to inform as many people about applying for settled status.

Councillor Leaver informed the committee that he had had feedback from CAB (Citizens Advice Bureau's) that 26K are eligible for settled status in the borough.

11. Councillor Gunawardena queried two of the high-risk findings, as detailed at Appendix C (page 216 of the report), BR2 (Financial) and BR4 (Suppliers/Goods). Was there anything specific with those that the committee had to watch out for? Fay Hammond clarified that they were both still marked as high because anything that is finance related is a high risk because of the impact it could have.

However, the biggest risk which had come to light, more recently for the council, is the long-term significant financial risk around poverty i.e. prediction around food cost increases meant that people couldn't afford to pay their bills. In terms financial markets and borrowing is that the council had an offer from the PWLB (Public Works Loan Board) to borrow at 1.25% for a 20-30-year loan. So, it is having an impact on the council in terms of being able to secure some of its financing for its capital programme. Gemma Young also clarified that the high risks are generally tolerated because they are like macro risks that the panel cant do anything about.

AUDIT AND RISK MANAGEMENT COMMITTEE - 3.10.2019

12. Councillor Leaver praised the Brexit risk register as excellent. Some of the risks the panel could clearly do nothing about i.e. fuel shortages. Where there are issues the Brexit panel can address has prompted actions. Most organisations list what the risk will be but with no actions. It was impressive to see that most of the risks were covered with detailed actions.

AGREED to note the contents in the report and the risks recorded in the appendices.

285

AUDIT & RISK MANAGEMENT COMMITTEE WORK PROGRAMME 2019/20

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

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

NOTED

1. A further Brokerage report update to be heard at the 5 March 2020 committee meeting.
2. The Illegal Encampments report to be heard at the 16 January committee meeting.
3. A Cyber & Technology Security report to be heard at the 16 January 2020 meeting. To address the ongoing risk and impact on the Council.
4. The statement of accounts action plan to be a regular item on the Audit agenda, with a verbal update at the 17 October 2019 committee meeting and a report to be heard thereafter at remaining committee meetings.
5. Members request that any movement in audit risks need to be reported at every committee meeting. Gemma Young confirmed that a risk register update will be heard at the 17 October 2019 committee meeting.

286

DATES OF FUTURE MEETINGS

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

Thursday 17 October 2019

Thursday 16 January 2020

Thursday 5 March 2020

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

