

AUDIT COMMITTEE

WEDNESDAY, 18TH JANUARY, 2017

Present: **Councillors:**

**Cllr Nick Sharman in the Chair
Cllr Robert Chapman, Cllr Michelle Gregory,
Cllr Sem Moema and Cllr Carole Williams**

**Officers: Kim Wright (Item 5), Ian Williams,
Tracy Barnett, Michael Honeysett, Chris
Ellmore, Michael Sheffield, Matthew Powell,
Vinny Walsh**

1 APOLOGIES FOR ABSENCE

1.1 Apologies for absence were submitted on behalf of Councillor Brian Bell and Councillor Carole Williams for lateness.

1 DECLARATIONS OF INTEREST

2.1 There were no apologies for absence.

3 MINUTES OF THE PREVIOUS MEETING

3.1 The minutes of the previous meeting were agreed as correct subject to the following amendments:

Minute 8.7 amended to read: Tracy Barnett agreed to liaise with Kim Wright and Michael Scorer for details of the actions taken to address the control weaknesses identified as part of the former Hackney Homes contract reviews and circulate a briefing note to the committee members.

Minutes 8.8: That 'Action' be removed.

Minute 9.1 amended to read: Matt Powell introduced the report as set out. The way that risks are captured and presented within the Council's online software (Covalent) have been overhauled and improved. A new approach is to be adopted to make the direction of travel clearer and a new 'Headline Scorecard' will be introduced for each register containing the target risk score as well as the present risk score.'

That 'Action' be removed.

Minute 9.2: amended to read 'Ian Williams said that this reflected...'

Matters Arising

1. Measuring the success of the Olympic Games

The Chair asked if a system existed for measuring the success of the Olympics in terms of the benefits derived by local people. Kim Wright reported that a substantial piece of work had been carried out on this following the Olympics. As this occurred some time ago, a new methodology was required to keep a track of this.

4 **CERTIFICATION OF GRANTS & RETURNS 2015/16**

4.1 Michael Honeysett introduced the report setting out the results of the work carried out by the Council's external auditors, KPMG, in respect of the 2015/16 grants claims and returns, the details of which were included in the appendix to the report. He reported that a number of errors were identified during the completion of the Housing Subsidy. In response to a question from Councillor Chapman, Michael Honeysett told the Committee that this was not completely unexpected given the size and complexity of the data. There were, however, ongoing discussions with officers on how to resolve this. The Committee emphasised the need to resolve the high error rate and the need for high level audit, producing details of trends. It was recommended that consideration be given to the provision of more information to reduce claimant error.

RESOLVED:

To note the contents of the attached letter from the Council's external auditors.

5 **DIRECTORATE RISK REGISTER - REVIEW OF HOUSING AND NEIGHBOURHOODS**

5.1 Kim Wright referred the Committee to the Neighbourhoods and Housing Directorate Risk Register. She told the Committee that the focus was 'on place' creating and sustaining liveable neighbourhoods. Risk had been reviewed on three occasions by the Directorate's Leadership Team, and reminded Members that the Directorate was a new one and only went "live" on April 1st, 9 months ago. Cllr Gregory asked about current vacancy levels in the directorate, risk in regard to difficulties in recruitment and staff morale. Kim Wright agreed to circulate figures on staff vacancies by the three divisions of Housing, Regeneration and Public Realm. She told the Committee that work was ongoing on the existing recruitment/ retention strategy in relation to posts that were traditionally difficult to recruit to, which included traffic engineers (with a cycle bias), planning and building control officers and that progress was being made on this but that in some instances agency staff were used to ensure posts were filled and services delivered. She stated that Managers were very aware of the need to reduce agency spend and that regular monitoring reports were received as part of the budget process to review spend/numbers of agency staff. Consideration was being given, as part of a corporate wide piece of work, to succession planning, talent initiatives, the introduction of a market supplements and the development of criteria in relation to circumstances in which higher rates of pay would be justified to attract the right kind of staff and making the recruitment process more streamlined. In response to a question from Cllr Moema about managing risk on contracts and sub-contracts Kim Wright told the Committee that Asset management had been restructured and was being recruited to. The project management function was being brought back in house and the Directorate was looking at how big projects were being managed. She told the Committee that the management of these bigger contracts in housing services involved higher risk and work was ongoing to mitigate against these. Further a number of KPIs within housing services were being

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developed and a cultural change was underway to more closely supervise contracts. Good practice arising from successful, large scale regeneration schemes within the Directorate were also being applied to projects/schemes elsewhere.

5.2 The Chair reiterated the need for a programme that involved cultural change to the front end of the supervision of the Council's contracts. He referred to the section of the risk register on 'Workforce and the effect restructures may have on efficiency....' and the need to show any shortfall identified, the close relationship between problems and risk and the impact on service, both actual and potential. He stressed the need for risk data to identify the most important issues and how risk could be mitigated against.

RESOLVED:

(1) To note the contents of the report and the attached risk registers and controls in place.

(2) That Kim Wright circulate figures on staff vacancies by the three divisions of Housing, Regeneration and Public Realm.

ACTION: Kim Wright

ACTIONED AS FOLLOWS:

	Total number of Established posts (FTES)	Total Number of Vacant Posts (FTES)	Vacancy Rate (FTES)	Agency Staff
Public Realm	857.46	84.25	9.8%	86
Regeneration	82	15	18.3%	4
Housing Services	907.9	164.95	18.2%	143

6 TREASURY MANAGEMENT ACTIVITY - UPDATE 2016/17

6.1 Chris Ellmore introduced the half year treasury activity report for 2016/17 containing a detailed update on the treasury activity for the first six months of the financial year and the Q3 treasury activity update for the period October 2016 to December 2016. Chris Ellmore told the Committee that the cash balance had slightly decreased. The average rate of interest received on investments was 0.84 %. He confirmed, in response to a member question, that the reference on page 48 should be '365 days', not years. He told the Committee that different types of more secure investments had been considered. The Chair referred to the change of capital forward funding of £439,611. Michael Honeysett confirmed that the Council had a lot of Capital Schemes that used forward funding and that a peak in investment was expected.

6.2 The Chair emphasised the need to have a clear oversight of capital investment and risk and to consider the most effective ways for members to discuss this and have a regular reporting mechanism.

6.3 In response to a question from Councillor Chapman, Ian Williams confirmed that the Council had much experience of dealing with contactor failure and that there were mechanisms in place to novate to another contractor in such circumstances.

6.4 Councillor Gregory referred to the risk of stress in supporting projects and asked what measures were in place to support those individuals. Ian Williams confirmed that a structure was required in this regard and stressed the need for properly resourced teams. The Chair stated that the Council was moving into a more developmental role with the consequent need to consider how the council supports staff and risk.

7 TREASURY MANAGEMENT STRATEGY 2017/18

7.1 Chris Ellmore introduced the Annual Treasury management Strategy for 2017/18 for the Audit Committee, setting out the expected treasury operations for 2017/18 financial year. He reported an increase in the Council's short term cash position as outlined at page 74 of the report.

7.2 Councillor Chapman asked that all approved investments be updated with credit ratings.

7.3 Councillor Sem Moema asked that a training session be arranged for members on financial risks and Ian Williams agreed to action this.

RESOLVED:

To approve the draft Treasury Management Strategy for 2017/18 for the Audit Committee, setting out the expected treasury operations for the 2017/18 financial year.

8 AUDIT AND ANTI FRAUD QUARTERLY PROGRESS REPORT

8.1 Tracy Barnett introduced the report outlining the performance of the Audit and Anti-Fraud Service up to the end of December 2016, the areas of work undertaken and information on current developments in Internal Audit and Anti-Fraud as well as statistical information about the work of the investigation team and current restructuring. She told the Committee that Carole Murray, Head of internal Audit had left the Council and the position was to go out to advert. Tracy Barnett and Michael Honeysett would be taking responsibility for the service in the interim. Two new management posts had been created and there was to be recruitment into more junior investigative roles. KPIs were in place to complete investigations within 13 days. The Committee noted good progress on the implementation of high priority recommendations on ICT, disaster recovery, and third party access. Work was ongoing with the Learning Trust and at the moment the requirements of the Hackney Learning Trust were being met.

8.3 Michael Sheffield reported that during the period September to December 2016 a total of 35 tenancies had been recovered by TFT. During that time six Right to Buy applications had been cancelled following investigation. He reported on outcomes after the AAF investigation in relation to overstaying families intervention, including 17 support packages being cancelled between April and August 2016, equating to a saving in the region of £5,916 a week. In relation to parking concessions 14 fraudulently used residents/visitors parking permits were recovered during the reporting period. In that period 24 Blue Badges had been recovered. 18 warnings had been issued with 17 penalty charges issued and 16 vehicles removed for parking fraud. A separate investigation identified an overpayment of a Hackney pension to a

former employee who had passed away in Italy. No fraud was involved, a sum of £28,000 was recovered.

8.4 With regard to the Management Action Plan, Tracy Barnett reported, in response to a member question, that an Audit Management Tool was used in feeding into risk management. Other actions were used and other factors were taken into account as part of the planning process. Investigative work had been carried out at the Learning Trust and the same level of work was required for the future. Councillor Chapman emphasised the need for more scientifically targeted investigations. This matter would be raised with the Learning Trust.

8.5 The Committee welcomed Vinny Walsh, the newly appointed 'Investigations Team Manager' to the Council.

8.6 The Committee expressed its thanks to Carole Murray who had recently left the Council for her contribution to the work of the Committee.

RESOLVED:

To note Audit and Anti Fraud's progress and performance to December 2016.

9 APPOINTMENT OF EXTERNAL AUDITOR

9.1 Michael Honeysett introduced the report. The Committee noted that following the demise of the Audit Commission new arrangements were needed for the appointment of external auditors. The appointment would require approval by full Council. He referred the Committee to the advantages of using PSA, including more efficient procurement and securing more competitive prices. He confirmed that the existing company would continue for a further two years.

9.2 Councillor Chapman referred to the current narrow market of auditors in the UK. Ian Williams confirmed that a lot of firms had moved out of the market and into the area created by the abolition of the Audit Committee. He emphasised that ensuring the quality of auditors was a priority.

9.3 Councillor Sharman referred to some disappointment in KPMG reporting and that going forward PSAA should take responsibility for this.

RESOLVED:

To recommend to Full Council that the Council opts into the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.

10 WORK PROGRAMME

10.1 The Committee noted the Audit Committee work programme for 2016/17. The Chair requested an update on ICT at the April meeting.

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10.2 Ian Williams reported that a special meeting of the Audit Committee was to be scheduled for the end of July to consider the annual accounts.

11 ANY OTHER BUSINESS THAT IN THE OPTION OF OF THE CHAIR IS URGENT

Duration of the meeting: Times Not Specified

Chair at the meeting on
Wednesday, 18 January 2017