

## AUDIT COMMITTEE

THURSDAY, 21ST JUNE, 2018

Present:

Cllr Nick Sharman in the Chair  
Cllr Michelle Gregory, Cllr Patrick Spence and  
Cllr Yvonne Maxwell

Officers: Ian Williams, Michael Honeysett,  
Ajman Ali, Polly Cziok, Michael Sheffield,  
Pradeep Waddon, Matt Powell, Bruce Devile,  
Dawn Carter-McDonnell, Peter Gray

### 1 Approval of the Chair and Vice-Chair as nominated at the Annual General Meeting

1.1 Councillor Nick Sharman was approved as chair. Councillor Brian Bell was approved as Vice-Chair

### 2. Apologies for Absence

2.1 Apologies for absence were submitted on behalf of Councillor Brian Bell and Councillor Ajay Chauhan

### 3 Declarations of Interest

3.1 Councillor Michelle Gregory declared that she was a member of the Board of a TMO.

### 4 Minutes of the previous meeting

4.1 The minutes of the previous meeting were agreed as a correct record.

### Matters Arising

#### Payroll Data

Michael Honeysett reported to the Committee that although the process was Working, there were particular concerns with reporting and the interface with pensions. He reported that his team continued to address issues arising with payroll and HR. That they were working together to resolve issues. The chair expressed concern that this remained a red risk and required to be monitored. It was agreed that a verbal update be made to the next meeting in July on Payroll data.

**Action: Michael Honeysett**

### **Integrated Commissioning**

The Committee noted that the outcome of the review would be reported to a future meeting of the Committee.

**Action: Anne Canning**

### **School Places**

The Committee noted that an update on pressure on school places would be made to the October meeting.

**Action: Anne Canning**

The Chair asked for an update Committee on new way of working, commissioning and the management of school places. Ian Williams agreed to co-ordinate the report to be discussed at a single issue meeting with invitations extended to cabinet members.

**Action: Anne Canning and Ian Williams**

## **5 Report of the Director of Housing - Verbal**

5.1 Ajman Ali, Director of Housing updated the Committee on his priorities for housing, highlighting the following areas:

- The Capital Investment Plan
- Asset Management Strategy
- Housing Business Plan
- Procurement of Services/ a number of contracts were coming to an end
- Modernisation of Housing Services, including work on safety
- Consideration of the structure of the Neighbourhood Service
- Ensuring that appropriate governance arrangements are in place
- Reconfiguring the property asset management service
- Improvements to the Repairs Service
- Ensuring Stability with as many permanent staff in place as possible
- Ensuring robust plans are in place for the delivery of Universal Credit
- Cultural Change
- Ensuring visible management in the service
- Improving Performance
- Improving the turnaround of voids
- Investment in Lifts
- Ensuring Value for Money
- Savings

5.2 The Chair emphasised the need for clear objectives and to manage a sense of direction for the new Housing Department. Councillor Michelle Gregory expressed concerns around staff turnover and high levels of agency staff in the Department and asked for an update in six months on levels of temporary contracts and permanently employed staff, together with the costs involved.

**Action: Director Housing**

**Thursday, 21st June, 2018**

5.3 Councillor Gregory highlighted the need for action on repairs reporting. She suggested the use of automatic responses from officers to tenants on repairs issues, including when there were issues on blocks that affected all residents.

5.4 Councillor Yvonne Maxwell asked if there was a dialogue with residents on what was considered to be good performance. She highlighted the 73 days turnaround of voids and the need to measure the human and financial costs involved. She referred to excessive time spent by staff on monitoring badly performing contracts and that these contracts should be returned in-house.

5.5 Councillor Patrick Spence asked what factors could be addressed to reduce the 73 days turnaround of voids. He referred to the level of arrears of 4 million and asked how this compared to levels in other local authorities and how proactive the Council was in dealing with tenants who fall into arrears. He stressed the importance of early intervention to avoid tenants being in the advanced stages of litigation.

5.6 The Chair asked if milestones had been established to enable the Committee to oversee the priority areas. He stressed the importance of completing repairs at first visit, thereby controlling higher costs. Further, he stressed the need to oversee external contract performance with consideration being given to bringing contracts in house.

**Action: Director of Housing**

5.7 Ajman Ali told the Committee that work was ongoing with the Residents Liaison Group to ensure they were kept abreast of changes and engaged the process and that the Council's Communications Department were carrying out a survey of tenants and residents. He confirmed that he would report back on staff turnover and temporary staff figures in six months.

**Action: Director of Housing**

5.8 He told the Committee that efforts were made to communicate with residents as soon as possible regarding fire safety repairs / issues and that communications on this were hand delivered. He stressed the importance of developing a culture of effective communications in the Department. In relation to temporary accommodation costs he confirmed that he would access figures on this.

**Action: Director of Housing**

5.9 Ajman Ali confirmed that work could be undertaken to bring contracts back in house where there was a business case to do so, however, the implications of terminating contracts prematurely would need to be carefully considered. In relation to the turnover of voids he stressed that there were many factors leading to the 73 days turnaround, such as the necessity to give 28 days' notice, the condition of the property, repairs and asbestos removal etc. Repairs work was acted on as quickly as possible and customer satisfaction was a priority. Ajman Ali agreed to prepare a set of milestones to allow effective monitoring of the delivery of these priorities by the Audit Committee.

## 6 ICT Update

6.1 Rob Miller introduced the report. Delivery of ICT work would take place in line with strategic principles and a service oriented approach. Work was ongoing on the repairs service, making it easier to use, with benefits for residents and staff. Rob Miller went on to report on the overview of service engagement to support digital change across the council and that work was ongoing with the Communications Department on this. Further, a restructure of the Department had been completed, with a successful recruitment campaign, securing the best staff, including a head of delivery.

6.2 Councillor Michelle Gregory emphasised the need for IT training for residents and asked about the use of mobile phones. Councillor Patrick Spence referred to the fact that many residents did not have a computer and whether the Council was undertaking outreach work in this regard. Rob Miller acknowledged the need for outreach work to residents and confirmed that when improvements were being designed work was carried out on collectively digital access across the Borough. Community groups and business could be used in this regard with specific focus on estates. In response to Councillor Gregory's question on mobile phones, Rob Miller confirmed that these were designed for accessibility.

6.3 The Chair referred to risks around adequate resourcing, achievement and the dangers of systems updates together with resilience. He referred to good relationships in some areas while not in others and that there was a need for interaction with the Council's Boards. In relation to performance and targets, he asked if milestones were in place to enable performance measurement and emphasised the need for core indicators

6.4 Rob Miller confirmed that much progress had been made in demonstrating value for money. Improvements were being made in relation to systems updates and that resilience was good in particular in respect of google. He referred to good relations with departments across the council with growing expectations. Work was on-going on the measurement of performance and targets in how ICT supported other departments.

### **RESOLVED:**

1. To note the progress that had been made with realigning the Council's strategic approach to ICT and digital service delivery.
2. To note the formal closure of the previous 2015-2020 Hackney Digital Strategy and the direction of travel based on the service oriented and thematic approach as set out in the report.

### **Directorate Risk Register Review - Chief Executive**

7.1 Polly Cziok introduced the report advising the Committee of the key risks facing the Chief Executives Directorate in 2018/19 and the actions being taken to reduce the likelihood and impact of those risks. An end of year review of the risk environment and management actions that the Directorate had lead responsibility for had been undertaken.

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7.2 Councillor Michelle Gregory asked for more detail on risk on Local Economic Development. Councillor Yvonne Maxwell highlighted the risk of Brexit and the consequent loss of European funding and the need to look for alternative sources of funding. The Chair referred to the new risk around environmental sustainability and the need to look at how the risk could be mitigated including developing actions and how these actions are monitored.. He queried whether convergence in Growth Borough was still relevant and if so that this should be reviewed, requesting that Stephen Haynes attend a future meeting.

**Action: Ian Williams**

7.3 Councillor Patrick Spence asked Strategic Organisation Development and Polly Cziok told the Committee that the 'Change for Everyone' Programme covered areas such as staff engagement, recruitment and retention, internal communications and equalities. The current review wished to unlock processes at the top of the organisation, giving senior middle managers an increased role. Ian Williams told the Committee that the programme encouraged management and staff to work more efficiently, while reducing bureaucracy. Polly Cziok confirmed that the Mori survey would be carried out in the autumn. She reported positive feedback from the staff satisfaction survey. There continued to be issues with diversity at the upper levels of the organisation.

7.4 Ian Williams identified some risks in relation to Brexit, such as difficulties around recruitment and retention of staff. A report on Brexit had previously been submitted to the Committee and he confirmed that a further report would be made on this matter.

**Action: Ian Williams**

7.6 It was noted that a meeting had been held with Councillor Jon Burke on the Sustainability Board and that a paper would be submitted to the Committee on this, with an invitation to Councillor Burke to attend.

**Action: Ian Williams**

## **RESOLVED:**

To note the contents of the report and the Chief Executive's Directorate Risk Register at Appendix 1 to the report.

## **8 Treasury Management Update**

8.1 Pradeep Wadden introduced the report with the latest update on treasury management activity covering the first 2 months of the 2018/19 financial year. He reported that there were no major changes since the submission of the previous report. He told the Committee that cash balances were down but that this was not a concern and simply reflected the cashflow position at a point in time. This would naturally fluctuate as cash outflows from capital programme, etc and related inflows from regeneration programmes worked their way through balances over time. The chair stressed the need for a context on this. Further, he stated that there was increased risk with the more borrowing and interaction with the markets. Ian Williams agreed to arrange training on treasury management.

**Action: Ian Williams**

**RESOVLED:**

To note the report.

**9 Audit Committee - Key Activities 2018/19**

9.1 Ian Williams introduced the report updating the Committee on key activities planned for the next year in particular around commercialisation, financial and corporate risk.

9.2 The Chair asked for member's views on what they considered to be priority areas for the Committee to keep under review, adding that he considered SEND to be on such area. There was to be an increased number of meetings with reduced membership to discuss single issues. Councillor Yvonne Maxwell reiterated the need for review around SEND and the Budget overspend. Ian Williams reported that the matter was being discussed with the City and Hackney Clinical Commissioning Group and agreed to send up to date information on SEND funding to members

**Action: Ian Williams**

9.3 Councillor Michelle Gregory welcomed the use of reserves to be a point of discussion for members.

9.4 Councillor Patrick Spence welcomed the use of smaller groups of councillors to drill down into issues.

9.5 Ian Williams told the Committee the work programme on SEND would be submitted to the Audit Committee in July 2018.

**Action: Ian Williams**

**RESOLVED:**

To note the report

**10 Corporate Risk Register Review**

10.1 Ian Williams and the Chair thanked Matt Powell for all his work on risk. The report updated the Committee on the current Corporate Risk Register of the Council as at June 2018. The report also identified how risks within the Council were identified and managed throughout the financial year and the Council's approach to embedding risk management. Matt Powell told the Committee that five risks had reduced as a result of senior management action and controls put in place.

10.2 Ian Williams told the Committee that an update on risks around Universal Credit would be made to a future meeting.

**Action: Ian Williams**

10.3 The Chair asked about how the assessment of risk was being recorded in relation to the work of the Council's Boards. Ian Williams agreed to circulate the Risk Register of the Housing Development Board. He stressed the need to build risk into cross departmental working groups.

**Action: Ian Williams**

**RESOLVED:**

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

**11 Performance Overview**

11.1 Bruce Deville introduced the report providing an updated set of key performance indicators along with an update on risk management with a scorecard and accompanying commentary on the Council's risk approach. The report also set out the latest capital programme monitoring with some enhanced analysis of the variances to budget. Further enhancements to this section of the report as discussed at previous Audit Committees had been made, specifically in relation to the financing of the programme.

11.2 Bruce Deville reported that 92.9 % of repairs were now completed on first the first visit, with the repairs service now being able to react in real time. The Chair asked if there was separate data for contractors and Bruce Deville agreed to incorporate this information, separately highlighting works carried out by the DLO and contractors.

**Action: Bruce Devile**

11.3 The Chair went on to query the turnaround of voids of 73 days and it was noted that long term voids had distorted the overall figures. Ian Williams agreed to circulate a briefing to members outlining factors leading to the 73 day turnaround of voids.

**Action: Ian Williams.**

11.4 Councillor Michelle Gregory asked if underperforming contractors were financially penalised. Ian Williams told the Committee that there were controls in place, including withholding payment. Rotini Ajilore would be requested to produce a briefing to members of the committee on the workings of contracts.

**Action: Ian Williams**

11.5 Councillor Patrick Spence referred to increases in rent arrears and sickness levels and Bruce Devile told the Committee that rent arrears fluctuate around Christmas time and he would update the next meeting of the Committee on sickness levels. Ian Williams told the Committee that rent arrears had reduced in the last quarter. Councillor Patrick asked about the introduction of Universal Credit. Ian Williams confirmed to the Committee that the introduction of Universal Credit had been delayed a number of times. He told the Committee that the Council made efforts to ensure that it was easier for people in the Borough to pay Council Tax.

**Action: Bruce Devile**

11.6 Councillor Yvonne Maxwell highlighted the fact that the percentage of Council Tax collected had increased to 94 %. She went on say that there were individuals in the borough who would find it difficult to pay Council Tax. Ian Williams reported that this assumption is taken into account in setting the Council Tax Budget and that the Council works to mitigate this.

**RESOLVED:**

1. To note the performance indicators presented in appendix 1 and the Risk Management Scorecard in appendix 2 to the report.
2. To note the current capital monitoring update in appendix 3.

## **12 Internal Audit Annual Report 2017/18**

12.1 Julie Sharp introduced the report providing details of Internal Audit during 2017/18 and the areas of work undertaken, together with an opinion on the soundness of the control environment in place to minimise risk to the Council. She reported that the overall insurance levels remained the same and that the control framework was sound. 89% of high priority recommendations had been implemented with 84% of medium priority recommendations implemented. The key financial systems were audited more frequently and there was a good level of assurance.

12.2 The Chair thanked officers for a reassuring report. He referred to a failure on the part of TMOs to achieve good audit reports. Julie Sharp reported that the Council audited TMOs with issues and was raising awareness of the processes involved around good governance. A governance action plan was now in place. The Chair emphasised the need for overview and monitoring in this area and asked what future action was to be taken. Julie Sharp confirmed that there were regular visits to TMOs. In the event of a large number of recommendations being made during a visit, further visits would be carried out to assess progress. The Chair stressed the importance of access to training for residents. In relation to this, Michael Sheffield told the Committee that the TMO team had produced a guide on governance to be issued to TMOs. Further, the TMOs service team had put together an action plan with training on GPDR and was considering other areas of training.

### **RESOLVED:**

1. To note the report of Internal Audit's performance and opinion of the Council's framework of governance, risk management and internal control.
2. To approve the revised Internal Audit Charter and Strategy.

## **13 Fraud and Irregularity Annual Report 2017/18**

13.1 Michael Sheffield introduced the Annual Fraud and Irregularity report 2017/18. The attached documents provided a status report and analysis of reported fraud and irregularly. Estimated savings arising from enquiries amounted to £4,912,085. The volume of fraud work remained the same. In relation to internal fraud there had been a high number of investigations. Legacy issues continued in areas previously managed by Hackney Homes, including around TMOs and there was extensive restructuring in housing. Whistleblowing was most prevalent in the area of housing. During the course of the year eight staff had been dismissed or had left the Council.

In relation to Tenancy Fraud Investigations:

- 66 tenancies had been recovered
- 14 Right to Buys had been cancelled or withdrawn
- 40 housing applications had been cancelled
- 44 vehicles were removed following misuse.



In relation to OFIT investigations for 2017/18, 95 claims had been cancelled.

The Committee noted that the number of housing applications represented a reduction against previous years and resulted in part from an increased awareness of the local authority response among perpetrators, which is increasing the time taken to end the tenancy.

13.2 In response to a question from the Chair regarding the levels of staffing, Michael Sheffield confirmed that a full team was in place.

13.3 Councillor Patrick Spence referred to the reduction in the number of tenancies recovered. He asked how Hackney Council compared to other local authorities in this regard and whether there was scope for a more aggressive approach. Michael Sheffield confirmed that AAF worked with a number of Registered Providers and that some of the larger ones had their own anti-fraud teams in place to tackle tenancy fraud in their housing stock. He confirmed that his staff were committed to identifying fraud in the Borough. He acknowledged that there was an opportunity to further improve processes with key partners in Housing following recent structure changes. The Legal Department had increased resources and this had a positive impact. Michael Sheffield agreed to research comparative data on tenancy recovery and provide an update.

**Action: Michael Sheffield**

13.4 Dawn Carter-McDonald confirmed to the Committee that an action plan was in place on the recovery of tenancies. The Chair stressed the need to have the most effective processes in place to identify fraud and asked for a reassurance that the matter was investigated.

13.5 Councillor Yvonne Maxwell raised the issue of tenants renting out rooms for short lets via AirBnB or similar. Michael Sheffield clarified that tenancy fraud investigations must usually establish that the tenant is not using the tenancy address as their main or principle home, and this threshold is more difficult to demonstrate with short term lets. The Council's tenancy conditions set out that the property must not be used as a business and that the Council must be informed of the sub-letting, action will be taken by Housing where appropriate.

**RESOLVED:**

To note the report.

**14 Work Programme**

**RESOLVED:**

To note the work programme with amendments:

- The removal of the Code of Corporate Governance from the October meeting agenda and;
- The transfer of Directorate Risk Register Review – Finance and Corporate Resources from the agenda for April 2009 to the agenda for October 2018.

**15 Any other business that in the opinion of the Chair is urgent**

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15.1 There was no urgent business

**Duration of the meeting:** 6:30 – 9.15pm

Chair at the meeting on  
Thursday, 21 June 2018