

AUDIT COMMITTEE

WEDNESDAY, 25TH JULY, 2018

Present: **Councillors:**

Cllr Nick Sharman (Chair)
Cllr Brian Bell (Vice-Chair),
Cllr Michelle Gregory, Cllr Ajay Chauhan and
Cllr Yvonne Maxwell

Officers: Ian Williams, Michael Honeysett, Sean Eratt, Peter Gray

1 Apologies for absence

1.1 Apologies for absence were submitted on behalf of Councillors Odze and Spence.

2 Declarations of Interests

2.1 There were no declarations of interests.

3 Financial Statement Audit 2017/18 - Annual Governance Report (Council & Pension Fund)

3.1 Ian Williams thanked the team for their work in producing the report. Andrew Sayers (KPMG) introduced the Annual Governance report setting out the position on the audit of the Council's Pension Fund's financial statements and the conclusion on the arrangements for securing economy, efficiency and effectiveness of the Council's use of resources. The auditor expected to issue an unqualified audit opinion on the Council's accounts and the Pension Fund accounts and a value for money conclusion by 31 July 2018. It was noted that, to date, the Council had received no objections to the 2017/18 accounts although work in relation to the 2016/17 accounts was still ongoing.

3.2 Andrew Sayers (KPMG) presented the report to the Committee. He reported adjusted audit differences to property, plant and equipment assets and return on assets (Pension Fund). 2.2m remained unadjusted. He referred to the fact that the accounts were of a good quality. Andrew Sayers referred the Committee to two risks: Fraud risk from revenue fraud and Fraud risk from Management override of control. It was noted that there were no matters arising from this work that needed to be brought to the attention of the Committee.

3.3 Andrew Sayers reported that in regard to value for money the focus was on medium term financial planning and contract monitoring and managed services. Both of these areas were considered to be satisfactory.

3.4 The Chair thanked the team for the very good collaborative work in the preparation of the External Audit Report 2017/18. He went on to ask about the impact

of PPE infrastructure assets. Andrew Sayers told the Committee that there had been small amounts of change each year on this, manifesting itself at this time. It was noted that this was being corrected going forward. In relation to Value for Money the Chair sought reassurance that the Council could deal with this in three years. Andrew Sayers told the Committee that the Council had a history of achieving targets. The Council had a reasonable level of reserves and this gave less room for manoeuvre for the Council. The Chair went on to ask about the risk of reserves being quickly exhausted and the response from Andrew Sayers that he was comfortable with the current framework. In response to a question from Councillor Bell regarding PFIs from the previous year Andrew Sayers told the Committee that guidance had only been issued recently and that this needed to be considered in a considered way and it was hoped to finish this work in the coming weeks.

3.5 Ian Williams told the Committee that this was the last year for which KPMG were the Council's external auditors and that a new firm would take over this work next year. The new firm had already been briefed.

RESOLVED:

To note the report.

4 Statement of Annual Accounts 2017/18

4.1 Ian Williams introduced the report presenting the accounts for 2017/18 for approval by the Audit Committee prior to issue of the audit opinion by the external auditor.

4.2 In response to a question from Councillor Gregory, Ian Williams told the Committee that other London Councils such as Camden Council had larger Housing stock than Hackney. He stated that if maintained schools were transferred the Council would retain ownership. Debt could not be leveraged of the provider. In response to a question from Councillor Maxwell, Ian Williams Local Authorities confirmed that Local Authorities had had a pay increase of 2 %, with teachers receiving a 3 % increase which would be tiered. In response to a question from Councillor Chauhan, he told the Committee that the Council operated a defined benefits pension scheme and that the Council held 1.5 billion assets. The scheme had changed from being final salary to a career average scheme. Ian Williams confirmed that the variance in figures at page 79 of the papers was as a result of a re-valuation of assets.

4.3 The Committee expressed concerns that the accounts were difficult to read and recommended the use of summary sheets on costs and expenditure. Michael Honeysett told the Committee that a Council working group was currently looking at ways in which to streamline the accounts and improve on accountability.

4.4 Councillor Maxwell asked about risk arising if the Council was not in receipt of funding from the Government. Ian Williams confirmed that this was a risk and that a strategy was to be developed around this. The Committee went on to express concerns at the risk of reserves being depleted. Ian Williams told the Committee that monthly forecasts were prepared, information which is shared with scrutiny. He confirmed that these forecasts could be submitted to the Audit Committee. Following a suggestion from the Chair it was agreed that the Committee be briefed on this on levels of reserves on a quarterly basis.

Action: Ian Williams

RESOLVED:

1. To approve the Council's 2017/18 Statement of Accounts prior to the audit opinion being issued.
2. To approve, in its own right, the Annual Governance Statement contained within the Statement of Accounts.

5 Update on SEND - To Follow

5.1 The Chair introduced the report outlining that the aim of the Audit Committee Review was to look at the overall resource management process of SEND provision in the Borough and the context in which it operated. It was noted that the review would consider:

- The technical and financial processes involved in the management and monitoring of the SEND budget within the Council.
- The financial implications of the main cost pressures on the supply market and on public sector providers. The review also needed to take advice on the sources of the increasing scale and scope of the demand for services to understand the projections of the likely future developments and consequent resource pressures as well as considering the sufficiency of supply of places.
- The revenue sources and their constraints, notably the funding framework created by the Government's post 2011/12 stand-still on central government support for the service and the specific funding issues within London. The review will also review the response of other London Boroughs to similar pressures.
- The financial implications and risks involved in the possible solutions to the funding shortfalls. This would include the financial effects of any public sector interventions and changes in the in-house service provision, as well as other proposals being considered by the sector.

RESOLVED:

To note the report

6 Verbal Update on Payroll System

6.1 Michael Honeysett updated the Committee on difficulties with the interface between payroll and pensions. He told the Committee that this impacted on data and consequent difficulties in producing statements, in particular in relation to active members. However, he considered that it would be possible to inform the Pension Regulator that statements would be produced on time. A timetable was in place and data would be available by the end of the month with all statements produced by December. Dan Paul had updated the Pensions Committee on the issues with payroll. Work was ongoing on 'Leavers Data'? Michael Honeysett reported that Payroll had been restructured. The Committee asked for a further update at the next meeting in October.

7 Any other business that in the opinion of the chair is urgent

7.1 There was no other urgent business.

Duration of the meeting: 6:30 - 8:00pm

Chair at the meeting on
Wednesday, 25 July 2018