

AUDIT COMMITTEE

WEDNESDAY, 10TH APRIL, 2019

Present:

Councillors:

**Cllr Nick Sharman in the Chair
Cllr Brian Bell (Vice-Chair),
Cllr Michelle Gregory and Cllr Ajay Chauhan**

Officers:

1 Apologies for absence

1.1 Apologies for absence were submitted on behalf of Councillor Harvey Odze.

1 Declarations of Interest

2.1 Councillor Michelle Gregory declared that she sat on the Board of a Tenants Management Organisation.

3 Minutes of the previous meeting

3.1 The minutes of the meeting held on 28th January were agreed as a correct record.

Matters Arising

The Committee noted action taken arising from the actions points in the minutes of the previous meeting. In relation to 'Update on the risks around trading companies', this risk was on the corporate register which would be submitted to the June meeting of the Committee.

4 Contract Management - Briefing

4.1 Sinead Burke introduced the briefing paper providing a summary on contract management following a request at the previous meeting of the Committee. The report related to risk management with regards to contracts. The Chair raised concerns about difficulties with contract management in the Borough as published in a local Hackney newspaper. Ian Williams outlined that the contents of the article was based on historical information.

4.2 Sinead Burke told the Committee that the Council had a wide range of contracts and agreed to focus on the largest long term contracts. She outlined the following facts to the Board:

- As of April 2018 the annual commission of proposed works to each block had been approved by Cabinet
- An SCA Checklist is in place to present schemes to the Capital Monitoring Board
- The Contract Management Board monitors contracts in use across Housing Services and how they are managed
- A long term Asset Management Strategy had been approved at March Cabinet
- An annual review of performance and management indicators had been carried out across Housing Services
- In order to ensure greater clarity of KPI reporting, and ensure consistent with contract procedures, a full day workshop was being established for My to include representatives from the three contractors and Hackney Council This was to ensure that any clarifications and adjustments to KPIs could be made to utilise for the 19/20 financial year to ensure the reporting was meaningful
- here are escalation procedures in place in all contracts for resolution of disputes or matters arising which may affect the contract. The intent was to resolve matters locally
- Hackney Council used clerks of work on all contracts to inspect and sign off that the quality of the works is in line with the specifications
- In relation to the valuation process, each month the contractor applies for payment for the work carried out that month. These applications are scrutinised both on site and via regular commercial meeting with reference to quality control inspections carried out.

Sinead Burke confirmed that schemes would not be submitted to the Board until such time as officers were satisfied that it had been demonstrated that key pre-construction procedures had been completed. In response to Councillor Bells question regarding the lift contract she confirmed that the Council was not tied into contracts. Councillor Gregory referred to the fact that some contracts were not managed effectively. Sinead Burke reported improvement to the preparation of contracts including having more formal work stages, ensuring that the project is commissioned properly and are correctly priced up.

4.3 The Chair referred to the improvements in the service but considered that it was difficult to ascertain the overall profile of the service and stressed the need for systematic mechanisms for overseeing its performance, with the production of outputs to reassure that the service was working effectively. He asked to be updated regularly on this. He stressed the importance of good relationships with partners with good quality staff and information produced. Councillor Bell stressed the need for improved communication with the Boroughs residents.

5 External Audit Update

5.1 The Chair congratulated officers for the report. Lucy Nutley of Masars told the Committee that there were no significant issues to report on and that there was good engagement with the council's finance team. She said that guidance on SEND had not yet been received from CIPFA. She confirmed to the Committee that consideration was being given to value for money issues. The National Audit Office was starting consultation on a new Audit code of practise and this would cover VFM. The Chair stressed the importance of ensuring that the council had a robust approach to the issue of Value for Money. Councillor Chauhan asked about risk around migration to universal credit and it was not that there had already been an increase on rent arrears.

6 SEND Funding

6.1 The Chair introduced the report back to the committee on its deep dive into the planning and risks associated with the cost pressures in the provision of children with Special Educational Needs and Disabilities. He thanked Anne Canning and Frank O'Donoghue for the report. It was noted that SEND cost pressure was a significant financial risk facing Hackney and other Councils. The deep dive was embarked on to ensure that this risk was being properly planned for and managed and that the Council was doing all it could to maintain the quality of service necessary for some of the Borough's most vulnerable residents.

6.2 Frank O'Donoghue referred the committee to the fact that the current forecast suggested that SEND expenditure would increase by between around £1.7m and £2.0m per annum and that this rate of increase many continued for a number of years. The report looked at how to model cost savings each year and have cost control mechanisms. Andrew Lee told the Committee that much centred on expectations and that there was a need to a strike a balance in this area. He referred the committee to the current local currently commissioned specialist settings in Hackney across a range of SEND needs. He confirmed that the cost of additional provision provided by the Independent Sector had escalated. The chair told the committee that the Council was not in control to demand or supply in relation to SEND. The deep dive process had given confidence that consideration had been given to the way forecasting was carried out. Councillor Chris Kennedy referred the cost pressure in the system and the need for medium term financing to address this. He confirmed that many local authorities were experiencing this problem. Councillor Rebecca Rennison stressed that consideration was being given to what powers the Council had together with how flexibility was available to the Council in regard to funding.

6.2 Ian Williams told the Committee that all London Boroughs were experiencing difficulties in relation to pressures on SEND funding. He referred to the fact that officer level meetings together with meetings with ministers were being held to discuss the issues and that all parties were listening. Treasury officers had met with the GLA. Further, work had been carried out with external auditors on this. He told the Committee that it would not be possible to cross subsidise from the HRA and that the Schools grant was ring fenced. CIPFA had been approached for a view, with a negative response. The council was looking at ways to secure savings through medium term financing. He told Council that this was now a national issue and efforts were being made to ensure that proper decisions are being made to safeguard public funds.

6.3 Councillor Kennedy told the committee that political influence could be exerted through the chair of the Hackney Safeguarding Board. He confirmed that the outcome of the judicial review challenging how the Government funds SEND would be known on 12th April. Councillor Gregory asked how many SEND children were in temporary accommodation and what the Council could provide extra funding to improve conditions. Andrew Lee confirmed that there was an ethnic skew and that the age profile was normal. There was no evidence of deprivation among this group. The Chair referred to a very helpful report and the need for members to be reassured that supporting systems were secure. He stressed that the report should be shared with members of Council and that he would discuss the matter with members on how best to accommodate the process.

RESOLVED:

To note the report and its conclusions

7 Directorate Risk Register Review - Children, Adults and Community Health

7.1 Anne Canning introduced the report updating the Committee on the corporate risk for the Children's, Adults and Community Health Services Directorate as at February 2019. The report also identified how risks with the Directorate are identified and managed throughout the year and the Council's approach to embedding risk management.

7.2 Anne Canning told the Committee that the service was very aware of the risk to children and adults in the Borough and referred to the Council's use of independent chairs to carry out independent reviews of cases.

Public Health

7.3 Testing for sexually transmitted disease was a demand led service, delivered in locations across London and beyond. Controls included the introduction of an online service for residents to order self-testing kits. Anne Canning confirmed that the service had acted quickly in relation to the outbreak of measles in the Borough and had not seen as big a problem as that experienced in New York.

Hackney Learning Trust

7.4 Escalating SEND spend was currently a significant pressure given the limits on funding in this area. Judgements from the Judicial reviews of Hackney and Surrey on Send funding was expected the following day. The cost pressure on the service was considered to be unsustainable. The Committee noted that a sustainability model was awaited from the Government. Safeguarding considerations for those pupils who are not registered at school continued to be a severe risk and the numbers in unregistered setting continued to rise in the Borough. It was noted that a scrutiny investigation had been carried out on this matter in 2018. The nature

of the risk around primary school places had changed, going from a position of insufficient school places to a surplus of these places. Efforts were being made to stabilise schools in terms of school places. Councillor Bell expressed a concern about the fact that maintained schools were being cut in the Borough. The Chair asked for clarification on the significance of the risk in relation to school places. Anne Canning confirmed that the Council was more vulnerable in this regard.

7.5 Councillor Michael Gregory asked about the extent of the risk in relation to the exclusion of children from schools in the Borough and asked that an analysis of this be sent to members. She referred to the lack of in house provision for the elderly and asked if this could be considered as part of the Council's regeneration work with the introduction of in house care provision. Anne Canning confirmed that work was ongoing with partners around exclusion and referred to the balancing act that schools had to undertake in this process and confirmed that those children who were excluded lost the protective factor. She further confirmed that children came first in all decisions in regard to their care and financial considerations did not form part of the decision. Councillor Bell referred to

Children and Family Risks

7.5 The Committee noted that there had been an increase in the number of looked after children in the Borough and the challenge to secure placement for looked after children who needed this. An Ofsted visit in February of this year had resulted in the service having to refocus how it operated. Ofsted had provided actions and required that these be acted on urgently. Concerns focused on the timeliness in which children moved through the system together with management oversight. An action plan was now in place on this. It was considered that there were no issues of major concern in relation to children's services. However, the risks were significant, in particular risks around removing a child from a family. This area was under review together with supporting social workers in making decisions in relation to the future care of children. Anne Canning confirmed that the principle of keeping the child safe in a family setting was to be maintained. It was noted that check points had been established and work was ongoing with social workers to ensure a more comprehensive risk assessment, with an emphasis on the use of evidence base in this area with challenge on disguised compliance. The Chair asked about the position in relation to the recruitment of social workers. Anne Canning confirmed the area of recruitment of social workers was very positive. There had been a candid exchange with Ofsted on this and an action plan in place. It was noted that an external person carried out scrutiny of the service.

Integrated Commissioning

7.6 Anne Canning updated the Committee on the governance review with a change to the work of the Transportation Board, the establishment of an Accountable Officer Team. The Integrated Commissioning Board had set up a system for outcome frameworks subject to measurement over time. Work was ongoing with the CCG on this. There would need to be an assessment of risk prior to and pooling arrangements.

8 Treasury Management Update

8.1 Pradeep Waddon introduced the fourth of the treasury reports relating to the financial year 2018/19 for the Audit Committee. The report set out the background for treasury management activity from January 2019 to March 2019 and the action taken during this period. He reported that there had been no major changes to report since the previous meeting of the Committee.

RESOLVED:

To note the report

9 Internal Audit Annual Plan 2018/19

9.1 Michael Sheffield introduced the proposed Internal Audit Annual Plan and resources for 2019/20 as part of its role in overseeing corporate governance. He referred to the fact that there was significant input from service managers and that regular horizon took place. He referred to the need to focus work on schools every four years. Lucy Nutley confirmed to the Committee that Masars would work in regard to the plan.

RESOLVED:

To approve the proposed Internal Audit Annual Plan which included the key performance measures for 2019/20

10 Performance Overview

10.1 The Committee considered the overview set of reports that were selected to be reviewed by the Audit Committee on a regular basis as part of the Committee's overview of the Council's performance. It provided an updated set of key performance indicators together with an update on risk management with a Corporate Scorecard and some accompanying commentary on the Council's risk approach.

10.2 Bruce Devile reported that for the period January/ February there had been a decrease in rent arrears. He told the Committee that Rob Miller's ICT team was carrying out work on dashboards provide managers with increased detail on levels of sickness. The Chair stressed the need for achieving increased levels of accountability and consideration being given to misreporting. In relation to the Corporate Risk the Committee noted that there were 143 red risks. Further information on setting up internal companies would be submitted to the next meeting.

11 Audit & Anti Fraud Quarterly Progress Report

11.1 Michael Sheffield introduced the report on the performance of the Audit & Anti-Fraud Service, the areas of work undertaken, and information on current developments in Internal Audit and Anti-Fraud together with statistical information about the work of the investigations teams.

12 Review of Whistle Blowing

12.1 Michael Sheffield introduced the report summarising the Council's corporate arrangements for whistleblowing and providing the committee with an update of the cases received in 2018/19. He reported that protection for whistle blowers was the same through all routes. It was noted that half of the referrals were received from sources that could be described as whistle blowing.

RESOLVED:

To note the report.

13 Audit Committee - Annual Report

13.1 Michael Sheffield introduced the report detailing the role of the Audit Committee and summarising the key activities and achievements in 2018/19 that demonstrate how the Committee has fulfilled this role effectively and to measure consistency with the guidance issued by the Public Sector Internal Audit Standards and other statutory requirements.

13.2 The Chair reported that the next deep dive would be in the area of the Council's Procurement Service. Ian Williams reported that the deep dive into SEND funding had worked well. He referred to the fact that many Council Services were being insourced and that there was a need to ensure that there were appropriate in-house managements arrangements in place to facilitate this. The Chair stressed the need to review whilst considering opportunities.

RESOLVED:

To note the Annual Report of the Audit Committee.

14 Work Programme

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

Duration of the meeting: Times Not Specified

Chair at the meeting on
Wednesday, 10 April 2019