

AUDIT COMMITTEE

WEDNESDAY, 19TH JUNE, 2019

Present: Councillors:

Cllr Nick Sharman in the Chair
Cllr Michelle Gregory (Vice-Chair),
Cllr Brian Bell, Cllr Patrick Spence,
Cllr Yvonne Maxwell and Cllr Harvey Odze

Officers: Ian Williams, Michael Honeysett,
Ajman Ali, Dawn Carter-MacDonald, Pradeep
Waddon, Bruce Devile, Matt Powell, Michael
Sheffield

1 **Approval of the Chair and Vice-Chair as nominated at the Annual General Meeting - Councillor Nick Sharman - Chair / Councillor Michelle Gregory - Vice-Chair**

RESOLVED:

That Councillor Nick Sharman and Councillor Michelle Gregory be appointed as Chair and Vice-Chair of the Audit Committee for the municipal year 2019/2020.

2 **Apologies for absence**

2.1 Apologies for absence were submitted on behalf of Councillor Brian Bell.

3 **Declarations of Interest**

3.1 Councillor Michelle Gregory declared that she was a member of the Board of a Tenants Management Organisation. Councillor Yvonne Maxwell declared that she was a member of the Board of Governors of the Homerton Hospital.

4 **Minutes of Previous Meeting**

4.1 The minutes of the meeting held on 10th April were agreed as a correct record.

Matters Arising

Councillor Clare Potter would raise the e issue of escalating SEND spend at the scrutiny commission

ACTION: Councillor Clare Potter

5 Sickness Data - Briefing

5.1 The Committee noted the sickness data briefing. Ian Williams told the Committee of the development of a data tool to provide more detailed information to management around levels of sickness, for instance, giving breakdowns by age and grade, assisting management in identifying trends. It was noted that the profile of the Council's workforce was a determinant in sickness levels as the Council delivered services directly while some other local authorities outsourced their direct services. It was further noted that the figures were significantly higher in terms of musculo-skeletal reasons, again reflecting the services delivered.

5.2 The Committee agreed to the suggestion that there be a demonstration for members of the sickness levels data tool.

ACTION: Ian Williams

5.3 The chair stressed the need for investigation into other factors that may have an impact on sickness levels. Councillor Maxwell stressed the need for a clear message to Council staff on the reasons why this data is being collected. Councillor Gregory emphasised that regular anonymous analysis and reporting of sickness data, establishing patterns, was required.

6 Performance Overview

6.1 It was noted that around 25 percent of residents reported being unhappy with repairs completed on the first visit for 2018/19, while 37 per cent were left dissatisfied with repairs carried out by a contractor. Ajman Ali told the Committee that the Council needed to do more to improve its performance in this area, with the measure around customer satisfaction being 'slightly' off target, stating that performance in the housing services was not as good as it could be and that the aim was to achieve further improvements by the end of his first year in post. He acknowledged the need to manage and more clearly monitor the council's contractors. He said that the performance trajectory was going in the right direction and that the culture within the department had improved. All heads of service were looking at ways to improve performance and mechanisms were in place to track performance. He referred to the fact that there had been a lot less red [signs] than in the previous year. 100 percent of appointments had been kept with a customer feedback mechanism in place through text messaging. He referred to the fact that many people were on universal credit, impacting on levels of rent arrears. Ajman Ali told the Committee that voids turnaround figures had improved to a 53 ½ days turnaround. He reported that all staff were in place in the department. The Asset Management team was being established in batches, with a final team in place early next year. The establishment of the Estate Management team had been completed last year, made up of all permanent staff. It was noted that the Council's Contact Centre contained the most temporary staff.

6.2 Councillor Maxwell referred to the significantly lower satisfaction rate with external contractors and considered that the repairs service should be brought back in-house, referring to the fact that much effort went into managing contractors and the Council itself could carry out these contracts. Councillor Maxwell asked if there was a trigger in relation to contractor performance and for data on the DLO. Ajman Ali confirmed that the procurement strategy, recently agreed by the Cabinet Procurement

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Committee, set out how the Council intended to insource contracts. It was agreed that performance data on repairs carried out by the Council's DLO be circulated to the Committee.

ACTION: Ajman Ali

6.3 Councillor Potter stressed the need to separate out the figures for DLO and contractors for the previous year.

6.4 Councillor Odze stressed the need to ensure that targets are attainable.

6.5 Councillor Gregory asked about details of the financial implications around delays in the turnaround of voids and it was agreed that these be circulated to the committee.

ACTION: Ajman Ali

6.5 The Chair stated that customer satisfaction was an important measure of performance and test of the service, indicating how people felt about quality, not just whether the repair had been carried out. He expressed concern that nearly one in two people had expressed dissatisfaction with the contractors' performance. Ajman Ali accepted that there were 'real performance issues' with contractors, and that the Council was aiming to improve on contract management. It was noted that some contractors with external companies were set to last up to five more years, though the Council's new procurement strategy set out how more work could be insourced over a period of time. Bruce Devile confirmed that at present the more complex repairs work was allocated to Contractors.

6.6 In relation to the Homeless Reduction Act and the increase in temporary accommodation, Members would submit questions, with the circulation of a paper on this, with a view to a future presentation to the committee.

ACTION: Ian Williams

The Chair stressed that this was outside the control of the council but it could mitigate any negative impact.

6.7 The Committee asked for comparative data around staff sickness levels in the private sector and how Hackney compared to other Boroughs. Ian Williams agreed to investigate this and to circulate figures to the Committee.

ACTION: Ian Williams

6.8 In relation to sickness levels, Ian Williams reported that a workforce strategy would be brought forward on this issue, stressing the need to be active on succession.

6.9 Councillor Spence raised the question of planning enforcement performance and it was agreed to circulate a briefing on this.

ACTION: Ian Rae

6.10 Councillor Spence referred to the fact that PCN recovery was low. Ian Williams confirmed that this stood at 70%, referring to the fact that there was an opportunity to appeal and that there was ambiguity. Bruce Devile reported increased recovery on Hackney Streets. Councillor Odze asked for a breakdown on the number of PCNs that are appealed, the number of appeals that are successful, and any PCNs cancelled without an appeal.

6.11 Councillor Odze referred to the warning traffic light around the percentage of child protection cases which are reviewed with the required timescales, asking why data was not available. Bruce Devile confirmed that this data was collected annually and agreed to check on the availability of this data.

ACTION: Bruce Devile

6.12 Councillor Odze stressed the need for a breakdown on recycling and resident waste. Bruce Devile confirmed that 62 % of waste was not recycled. He told the Committee that the aim was to reduce the amount of waste in the Borough. In relation to PCNs, Councillor Odze asked for figures on those closed and how many had no action taken

RESOLVED:

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

7 Directorate Risk Register Review - Chief Executive

7.1 Consideration of the risk register was deferred to the October meeting of the Committee, to which the Chief Executive would be invited to present the report.

ACTION: Ian Williams

8 Treasury management Update Report

8.1 Pradeep Waddon introduced the report, providing the Committee with the latest update on treasury management covering the first 2 months of the 2019/20 financial year. It was noted that no major issues had arisen since the last meeting. In relation to borrowing needs for housing the rates were at a low level and the Council had therefore taken the opportunity to lock in some of the shorter term borrowing into some of the longer term rates to ensure that appropriate advantage was taken of the opportunity. Pradeep Waddon told the Committee that Financial Advisers were in place with whom officers of the Council had regular catch ups to discuss the treasury management issues both in respect of borrowing and investments.

8.2 Councillor Gregory asked whether due diligence was applied in the choice of companies invested in by the Borough. Pradeep Waddon confirmed that the Council only invested in local authorities, housing associations, building societies etc, as set out in the approved Treasury Management Strategy.

RESOLVED:

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

9 Corporate Risk Register

9.1 Matt Powell introduced the report and told the Committee that the register had been signed off on 4th June. Reputation and Major Fraud risks had been removed from the corporate register, to return to Directorate level. The creation of new companies and Insourcing were now new risks on the register.

9.2 Councillor Spence referred to the increasing pressures on temporary accommodation in the Borough and asked how the service was coping with this. Ian Williams told the Committee that measures were in place to deal with the increase but that this was becoming increasingly challenging, dealing with very difficult cases.

9.3 The Chair referred to the large number of high risks and that the only course of action open to the Committee in this regard was to mitigate these risks.

9.4 Ian Williams referred to the fact that a rolling update on Brexit developments was now in place, with the Council keeping abreast of government communications. He confirmed that many preparations were in place in readiness for Brexit. Ian Williams told the Committee that senior management team work was ongoing on the establishment of new companies, ensuring consistency in relation to Director's roles and status. It was agreed that a report would be submitted to the October Committee on the establishment of new companies.

Action: Ian Williams

9.5 Councillor Odze raised the issue of Fire Brigade access to the Borough's Estates and whether this could be improved. Ian Williams confirmed that special keys were available to open gates on estates. Councillor Gregory asked about the length of time it took for emergency services to arrive at emergencies in the Borough.

RESOLVED:

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

10 Internal Audit Annual Report 2018/19

10.1 Michael Sheffield introduced the report providing details of the performance of Internal Audit during 2018/19 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. Michael Sheffield told the Committee that the performance framework remained robust. He reported a reasonable level of assurance. 75 % of high priority recommendations were implemented by 31 May 2019, with 21% partially implemented and 4 % not implemented. There had been a decrease in the number of 'No assurance' audits. The audit assurance of all TMOs was either significant or reasonable. Management responses to recommendations stood at 100 %.

10.2 In response to a question from Councillor Spence, in relation to the audit of schools, Michael Sheffield confirmed that currently, these were not distributed equally and that schools were made aware of when they were to be audited. In response to a question from Councillor Spence, Michael Sheffield told the Committee that despite two rounds of recruitment exercises it had not been possible to appoint a Head of Internal Audit and Risk management. He explained that given pension changes, a number of experienced senior staff in this area had retired from the service, leaving a

lack of available senior audit staff. Members asked to be kept informed of developments in this area.

ACTION: Michael Sheffield

RESOLVED:

1. To note the report of the 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.

11 Fraud and Irregularity Report 2018/19

11.1 Michael Sheffield introduced the Annual Fraud and Irregularity report 2018/19. The attached documents provided status reports and analysis of reported fraud and irregularity within the London Borough of Hackney. He reported that the estimated saving arising from enquiries in relation to tenancy fraud stood at £2,706,000. During 2018/19 a total of 63 RP and LBH properties were recovered as a direct result of investigations undertaken by the Tenancy Fraud Team and 42 housing applications were cancelled. 13 Right to Buy claims were denied or withdrawn in 2018/19 following investigation, preventing the award of discounts totalling £1,404,000, in addition to preventing the loss of 13 homes to applications who were not eligible to purchase them.

11.2 In response to a question from Councillor Potter in regard to 'No recourse to public funds', Michael Sheffield confirmed that due to immigration status some families were not eligible for central government support. They could, however claim public funds from the local authority.

RESOLVED:

To note the report.

12 Revised Anti-Fraud and Corruption Policy

12.1 Michael Sheffield introduced the report setting out the policy on the Council's commitment to tackling and minimising fraud, corruption and irregularity to the lowest possible level and highlighting the role that all officers and members have to support this. The report also set out the high-level approach to how the Council would investigate concerns when they are identified, and links to other council policies including codes of conduct.

RESOLVED:

To approve the revised Anti-Fraud and Corruption Policy.

13 Audit committee Work Programme 2018/20

RESOLVED:

To note the report.

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

14.1 McCloud Judgement

Ian Williams told the Committee that all local authorities had been written to regarding the McCloud judgement in relation to pension entitlements. The auditors had asked that the accounts be adjusted to reflect this, stating an obligation under the code of conduct. It was noted that the FSA had the power to fine audit companies should they not take appropriate action. The Committee noted that an adjustment to the accounts potentially had a significant cost implication and that the Government was appealing the decision in the High Court, making this uncertain. At the time of the Committee, the officers were in discussion with the auditors regarding appropriate action.

14.2 Insourcing of contracts

Ian Williams told the Committee that work was ongoing with Councillor Sharman and Councillor Rennison on the deep dive into Insourcing of contracts. He would circulate the draft terms of reference to members of the Committee.

Action: Ian Williams

14.3 Agency Staff

Ian Williams stressed the need to ensure that the Council did not have an over reliance on agency staff. It was agreed that the issues around levels of agency staff at the Council be discussed at the October meeting of the committee and that a representative from ICT and Frontline staff be invited to attend to share their experience.

Action: Ian Williams

Duration of the meeting: 6:30 – 8:45

Chair at the meeting on
Wednesday, 19 June 2019

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