

## AUDIT COMMITTEE

WEDNESDAY, 15TH JANUARY, 2020

**Present:** Cllr Nick Sharman in the Chair  
Cllr Clare Potter, Cllr Patrick Spence and  
Cllr Yvonne Maxwell

**Officers:** Ian Williams, Ajman Ali, Michael Honeysett, Michael Sheffield, Bruce Devile, Matthew Powell, Manja Grant , Pradeep Waddon

**Lucy Nutley – Mazars**

### **1. Apologies for absence**

1.1 Apologies for absence were submitted on behalf of Councillors Bell and Gregory.

### **2. Declarations of Interest**

2.1 There were no declarations of interests.

### **3. Minutes of the previous meeting**

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

### **Matters Arising:**

3.2 LLDC (5.6): Ian Williams would update the chair on the return of LLDC

**Action: Ian Williams**

3.3 Responding to member enquiries (5.4): Bruce Devile told the committee that performance on this varied between services and that this matter was currently being considered and input was being sought from Councillors.

### **4. Performance Review**

4.1 Bruce Devile introduced the report providing an updated set of reports that were selected to be reviewed by the Committee on a regular basis as part of the Committee's overview of the Council's performance. The report provided an updated set of key performance indicators along with an update on risk management with a scorecard. The report also set out the latest capital programme monitoring with some enhanced analysis of the variances to the Budget.

4.2 Bruce Devile told the Committee that the data in the report had not changed significantly since the previous meeting. He confirmed that numbers in temporary accommodation remained high.

4.3 The Chair expressed concern that sickness levels continued to rise and the decline in top 5% earner's women. Dan Paul would be asked to report back on this matter.

**Action: Dan Paul**

4.4 The Chair asked for progress on rent arrears. Ajman Ali told the Committee that work was ongoing to ensure that rent was paid on time and that the maximum benefits were received. Measures introduced to address difficulties included changes to direct debit arrangements. Staff were very aware of the importance of improvement in this area. He confirmed that this area would receive increased resources in the new financial year. Councillor Maxwell spoke of the stress attached to not being able to pay rent. Ajman Ali told the Committee that patch officers were available to provide support in cases of difficulty. He would look into this matter in more detail.

**Action: Ajman Ali**

4.5 The Committee expressed concern that as part of the 'pay your rent campaign', tenants were told not to spend the money on presents and that this could be considered paternalistic.

4.6 Ian Williams told the Committee that Hackney's performance in relation to claims was on a par with Boroughs across London. Extensive work was being carried out on the council tax and one corporate debt approach. Councillor Rennison would be arranging a workshop with the Audit Committee on this.

4.7 The Chair expressed concern at the high percentage of open planning enforcement cases less than 4 years old. Ajman Ali agreed to report back on this matter.

**Action: Ajman Ali**

4.8 In relation to the capital monitoring extract from the overall financial performance report Michael Honeysett reported that a variance £42.784m was to be re-profiled. The Chair highlighted that half of the budget was out in the first six months and considered that this was a sign that profiling was not going far enough. Michael Honeysett agreed that there was a need for more accurate profiling was required from directorates and that his team were working with them to improve expenditure forecast profiling and that some of the issues related to stability around contractors. Ian Williams highlighted that it was necessary to defer work if the contractor is unable to carry out the work. It was acknowledged that there was a need for improvement and work was ongoing on how the Council delivered major schemes and cash flow forecasting.

4.9 Ajman Ali told the Committee that in relation to asset management a Capital Monitoring Board was now in place for 12 months, receiving regular reports on appropriate schemes. The Chair referred to the current large underspend and asked if the systems were in place to improve this. In response, Ajman Ali acknowledged the need for improving forecasting. Ian Williams referred to the fact that there was a requirement to monitor on a monthly basis and this had shown some risk. Ian Williams would produce a more detailed report on risks areas around Brexit.

4.10 In relation to the CIPFA financial management code, Ian Williams told the Committee that this would be used to embed good practice and financial planning going forward. Detailed guidance notes are to be released on this by Cipfa. The Chair stressed that the Senior Management Team should take responsibility for embedding the good practice.

**RESOLVED:**

To note the performance indicator in appendix 1, the Risk Management Scorecard in appendix 2 and the current capital monitoring update in appendix 3.

**5. Directorate Risk Register Review- Neighbourhoods & Housing**

5.1 Ajman Ali introduced the report updating members on the current Corporate Risk Register of the Council as identified as at January 2020. The report also identified how risks within the Council are identified and managed throughout the financial year and the approach to embedding risk management. There had been an increase in cost in housing regeneration and a dip in property values. Brexit had had an impact on this. Fire safety continued to be a challenge.

5.2 In relation to the regeneration project, Councillor Potter asked if the tenure mix would change. Ajman Ali confirmed that there was a risk of this and stressed the need for more affordable housing. Councillor Maxwell stressed the need for as much social policy as possible.

5.3 The Chair stressed the need for targets and plans with deliverables in relation to climate change. Ajman Ali confirmed that much work was underway on gathering data to establish the overall emissions from Council operations for the new energy company and that with a session to consider climate change had recently been held with Neighbourhoods and Housing senior managers. An action plan would be produced, including looking at ways to improve energy efficiency. Ian Williams told the Committee of the work of the Sustainability Board around the strategy, referring to the tree planting programme in the Borough. It would be necessary to identify the resources necessary and to be realistic around costs. Ian Williams suggested that Councillor Burke attend the Board meeting to update on this.

5.4 Councillor Potter asked how skills would be accessed to ensure that the new system works. Ajman Ali told the Committee that it would be necessary for the engineers to be equipped to carry out the job effectively with training being provided. In response to the Chair, Ajman Ali told the Committee that there was much improvement in how the Council manages its assets. Project Managers meet regularly with contractors and at present there were no performance issues with existing contractors. There would be a need to build in mechanisms for new contracts to have appropriate KPIs.

5.5 The Chair highlighted the fact that the voluntary redundancy scheme may be a risk. Deirdre Worrell told the Committee that the scheme would result in personnel changes and the potential impact of the burden of work falling on those remaining was seen as a risk.

## **6. Corporate Risk Register**

6.1 Ian Williams introduced the report updating members on the current Corporate Risk Register of the Council as at January 2020. It also identified how risks within the Council are identified and managed throughout the financial year and the approach to embedding risk management. Risks around universal credit, unregistered schools and climate change had been escalated to this iteration of the corporate register. Although there was more clarity on the impact of Brexit, this remained as a risk with the continuing concern of no deal. The Chair expressed concern at this possibility of a 'no deal brexit.' Ian Williams told the Committee that there was a need to ensure that the Council's plans were refreshed, feeding into cross London groups on this. It was considered that arrangements in place were satisfactory. The Committee noted the main changes from last year's register.

6.2 The Chair referred to SEND as a high risk. Ian Williams told the Committee that additional resources had been received from National Government to support SEND spending but this did not address the shortfall. The Council continues to lobby on this issue

6.3 Michael Honeysett told the Committee that the issue of annual benefits statements this year was in the high nineties and it had not been necessary to report any breach to the Pensions Regulator. Work was ongoing on bringing in automatic uploading to the pensions system that would help to ensure that the vast improvement was sustained

6.4 In response to a question from Councillor Potter, Matthew Powell confirmed that the nature of risk 23 had not changed but that it was a sensitive area.

6.5 The Chair asked for progress on risk 18 'Workforce and recruitment' and the need for a more agile workforce. Ian Williams told the Committee that this formed part of the workforce strategy. He referred to work around making council roles more widely accessible attracting people from all backgrounds. He said that there was a need to ensure that staff were on board with the council's values. The chair asked that Dan Paul attend the committee to speak about the direction of travel of the workforce strategy and the overall approach.

**Action: Dan Paul**

6.6 Councillor Odze asked, in relation to risks 20 and 21, regarding ICT, whether a testing recovery plan was in place. Matthew Powell confirmed that a plan was in place.

## **7. Treasury Management Strategy 2018/19**

7.1 Pradeep Waddon presented the report introducing the draft Treasury Management Strategy for 2020/21 for the Audit Committee, setting out the expected treasury operations for the 2020/21 financial year. He told the Committee that much depended on the impact of Brexit. Michael Honeysett said that investment principles however would not change with Brexit and confirmed that the operational plans in place were robust to ensure the security of the capital sums invested.

**RESOLVED:**

To approve the draft treasury management strategy 2020/21 to 2022/23 for

submission to Council, subject to Capital programme that is being finalised ahead of budget setting, with delegated powers to the Group Director of Finance and Resources to approve the final Treasury Management Strategy for submission to Council.

## **8. Treasury Management Update**

8.1 Pradeep Waddon introduced the report that covered both the half year treasury activity report for 2019/20 and the Q3 treasury activity update for the period October 2019 to December 2019. Pradeep Waddon told the Committee that officers were in constant contact with advisors on this while monitoring any changes in the market. Overall

### **RESOLVED:**

To note the treasury management activity reports at appendices 1 and 2.

## **9. Audit & Anti Fraud Quarterly Progress Report**

12.1 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-Frauds as well as statistical information about the work of the investigation teams. Michael Sheffield reported that:

- Estimated savings arising from enquiries was £1,795,000
- In relation to the 2019/20 Audit Plan, 47 assignments had been completed or in progress; this was 51 % of the original plan (there had been delay in appointing the IT analyst. The appointment was now made)
- In relation to Internal audit's performance for 2019/20 against key indicators the percentage of significant recommendations made which were agreed stood at 100%
- Of the 320 'medium' priority recommendations followed up, 86% were assessed as implemented as 9% partially implemented
- During the period from October to December 2019 a total of 25 tenancies had been recovered by the TFT compared to 64 in the previous year
- 12 Right to Buy applications were withdrawn or cancelled in 2019/20 to date, following investigation
- That issues around access to the pound had been resolved

12.2 Councillor Patrick asked for an update on Adults Services. Michael Sheffield told the Committee that a procedure was in place for the support of client's homecare services. There was further evaluation and regular monitoring with key stakeholders and monitoring of KPIs.

12.3 The Chair asked if adequate staffing resources were in place. Ian Williams told the Committee that current staffing arrangements were appropriate for the coming 2/3 years. He told the Committee of the Council's new approach to recruitment, blind recruitment in which it was not possible to identify the candidates. The Committee asked for an update on this initiative. Ian Williams agreed to circulate details.

**Action: Ian Williams**

**RESOLVED:**

To note the Audit & Anti Fraud's progress and performance to 31 December 2019

**10. Certification of Grants and Returns 2017/18**

10.1 The report was withdrawn as it had been published in error.

**11. External Audit Plan Programme 2019/20**

11.1 Lucy Nutley (Mazars) introduced the 2019 /20 Audit Strategy Memorandums from Mazars, the Council's external auditors, in respect of both the Council's Accounts and the Pension Fund Accounts. These set out the details regarding the anticipated delivery of the audits. She referred the Committee to the audit scope, approach and timeline and that meetings had been held with officers of the Council on this. Lucy Nutley highlighted sections of the report the Committee. Lucy Nutley told the Committee that the significant risks were the same as in the previous year.

11.2 The Chair stressed the need for adequate mechanisms to be in place in regard to value to money and the need for a reporting mechanism providing oversight of the introduction and operation of hackney companies

11.3 Ian Williams agreed to circulate a briefing on setting up of hackney companies.

**Action: Ian Williams**

**12. Audit Committee Work Plan**

**RESOLVED**

To note the report

**13. Any other business that the Chair considers urgent**

13.1 Ian Williams introduced the report of the Committee's deep dive into the insourcing of contracts. He stressed the importance of this exercise and the need to have mechanisms in place to ensure effective insourcing. There was a need to assess those contracts that were suitable for insourcing. A session would be arranged for the end of January with a live example.

13.2 The chair stressed the need to ensure that the insourcing of contract worked and referred the committee to a few of the contracts proposed for this exercise:

- Parking Enforcement Service
- Out of Hours Service
- Adult Social Care Homecare Service
- Fleet Maintenance Service
- Building Maintenance Service
- Young Hackney careers Advice Service

The Chair told the Committee that the working group would meet again in late February with a final report in April 2020.

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13.2 The second phase of the exercise would focus on performance oversight of the insourcing of services with exercises to look at testing possible insourcing possibilities. Councillor Maxwell said that as part of this process it would be necessary to consider what went wrong and learn from experience.

**14. Date of next meeting - 22 April 2020**

**Duration of the meeting:** 6:30 – 9pm

Chair at the meeting on  
Wednesday, 15 January 2020