

## AUDIT COMMITTEE

WEDNESDAY, 21ST SEPTEMBER, 2016

**Present:**           **Councillors:**

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

**Officers: Tracey Barnett, Michael Honeysett,**  
**Rob Miller, Carole Murray, Patricia Narebor,**  
**Nish Popat, Matt Powell, Michael Sheffield, Ian**  
**Williams**

### **1     THANKS TO JACKIE DALLY**

1.1   The Committee heard that Jackie Dally was leaving the Council at the end of the week. The Chair asked that the Committee's thanks be passed on to Jackie for her work in supporting the Committee.

### **2     APOLOGIES FOR ABSENCE**

2.1   There were no apologies for absence.

### **3     DECLARATIONS OF INTEREST**

3.1   There were no declarations of interest.

### **4     MINUTES OF THE PREVIOUS MEETING**

4.1   The minutes of the meeting held on 9<sup>th</sup> June 2016 were agreed as a correct record.

4.2   Matters Arising

4.2.1   The chair emphasised difficulties around measuring the success of the Olympic games in terms of benefits derived by local people. It was suggested that the chair meet with Kim Wright and Ian Williams to review this.

**ACTION: Ian Williams**

4.2.2   Ian Williams agreed to follow up with Kim Wright on benchmarking information on repairs and contractors monitoring information. The Chair emphasised the need to establish a flow of information of these.

## **5 ICT UPDATE BRIEFING REPORT**

5.1 The Chair advised the Committee that he had met with Rob Miller, Director of ICT, concerning the risks ICT held for the Council. As a result of this he had asked Rob Miller to attend the Committee to provide an update on the IT service including ICT risk and his first impressions. Rob introduced himself with a brief account of his employment history and highlighted the areas in paragraph 5.1 of the report concerning 'Disaster Recovery' and 'Third Party Access'. Planned activity was in place on recovery. In relation to Third Party Access the council was looking at its processes and finding more sophisticated ways to maintain systems and have an effective oversight.

5.2 The Chair expressed concerns around difficulties in recruitment to ICT and asked whether risks around loss of staff had been investigated. Rob Miller told the Committee that recruitment would be included in the next audit plan. Further, ICT salaries and roles were currently being reviewed. He confirmed that there were substantial numbers of agency staff currently working at the Council and that he had concerns about maintaining a sustainable team. However, certain initiatives were available such as promoting Hackney as a place to work.

5.3 Cllr Gregory asked if there were data reports on the use of the Council's website, system outage and the digital strategy. Rob Miller confirmed that there was a lot of very good data available and that this had been considered by the Scrutiny Commission. He was working closely with all the directorates on the overall digital strategy. There was a clear strategy to provide high quality online services although this would be providing additional service rather than removing an existing service. Work was being carried out as part of the service. For example, Michael Scorer, the Interim Director of Housing, was working with ICT on a digital strategy for housing services. Rob Miller highlighted paragraph 6 of the report which set out the review of the ICT strategic direction. He told the Committee that he had consulted widely to ascertain feedback on the IT service. He referred to the implications for residents of the Borough and how work was carried out. There was to be a move to the use of tablets and mobile phones. A staff survey was to be undertaken to ascertain staff expectations. He further referred the Committee to ICT's key strategic priorities.

5.4 Carole Murray told the Committee that any issues which had been highlighted through internal audit had resulted in five pieces of work to be undertaken from September through to March. It was suggested that a further update therefore be brought to Committee in April.

**RESOLVED to note the contents of the report and that a further update be made to the Committee in April 2017.**

## **6 FINANCIAL STATEMENTS AUDIT 2015/16 - ANNUAL GOVERNANCE REPORT (COUNCIL & PENSION FUND)**

6.1 Ian Williams introduced the report as set out and thanked the finance team and the external auditors for their work and congratulated them for meeting the earlier deadline. He confirmed that the council was in a good financial position.

6.2 The Auditors told the Committee that there were no significant adjustments to be made and that they were confident that an unqualified audit opinion would be sent by 30 September.

6.3 Cllr Sharman asked whether the risks outlined in the financial statements matched those in the Corporate Risk Register. The auditors confirmed that there was a link and that there were appropriate procedures in place for reporting and monitoring. They confirmed that officers had a strong overview of the Council's financial position.

6.4 The auditors confirmed that they were independent and also that the representation letter would be standard with no additions.

6.5 Cllr Chapman asked for clarification on sustainable deployment. The auditors told the Committee that this related to financial sustainability and although it was not an issue in Hackney it was an important area which the auditors reviewed. Any associated risks were captured in the Corporate Risk Register.

6.6 The Chair noted that considerable savings had already been made but that more were required and that this may impact on core services. The auditors agreed that finding savings would become more difficult and that hard decisions would need to be made. However, Hackney did have reasonable reserves and was in a relatively good position. He stressed the need to encourage 'value for money assessments.

6.7 Cllr Gregory emphasised that long term debt had not been highlighted in the financial statements and asked if levels were of concern. The auditors said that both debtors and creditors were managed appropriately by the finance team.

6.8 Nish Popat told the Committee that good progress had been made with the accounts. Officers were confident that the accounts would be closed by the end of May in 2017.

**RESOLVED** to note the report.

## **7 STATEMENT OF ACCOUNTS 2015/16**

7.1 Nish Popat introduced the report as set out. Cllr Bell congratulated the team for meeting the revised deadline. Cllr Gregory asked about the volume of long term debtors and Michael Honeysett agreed to provide a breakdown of these figures.

### **ACTION: MICHAEL HONEYSETT**

7.2 Ian Williams told the Committee that council tax was the largest debt and the team were spending much time in chasing and collecting historic debt. This process was made more difficult by the transient nature of the young population in Hackney. He reported that in respect of Universal Credit, the debt was nowhere near the level predicted.

7.4 The Chair congratulated the team and the auditors for meeting the deadline.

**RESOLVED:**

1. To approve the 2015/16 Statement of Accounts prior to the audit opinions being issued.
2. To approve, in its own right, the Annual Governance Statement contained within the Statement of Accounts.

**8 CORPORATE RISK REGISTER REVIEW - SEPTEMBER 2016**

8.1 Ian Williams introduced the report as set out. Matt Powell provided further explanation. He referred the Committee to notable risks such as the impact of the economic downturn, pensions, Brexit and risks in ICT. The Chair noted that the new additional risks were clearly red and many of the action dates were set for the end of November. The Committee asked for assurance that the risks were being carefully monitored and that an assessment update be provided. Ian Williams agreed to arrange an informal session on risk in the Council.

**ACTION IAN WILLIAMS**

8.2 Cllr Bell asked for clarification on risk in the areas of regeneration and Housing, high value properties in the Borough and implications of Planning Acts. Ian William told the committee that HMT and Cabinet were very much aware of these risks. However, the regulations around the Housing and Planning Act had not yet been finalised. A working group had been set up in readiness for when these become available. All the regeneration assessments took account of the Housing and Planning Act risks.

8.3 Cllr Chapman asked about the extent of risk to the workforce given the restructures and savings packages. He considered that members were noticing the impact despite everyone working well to overcome this.

8.4 Ian Williams told the Committee that the Change for Everyone initiative reflected the need to work in different ways. Risks had increased around recruiting and retaining staff given the increased costs of living and travel. Cllr Taylor said that the budget had been rightsized and it may be necessary to review Council Tax as any further cuts would noticeably impact on services. Cllr Chapman asked if this had been adequately reflected in the risk register and Ian Williams confirmed that it had. The chair said it was important to monitor this closely.

8.6 Cllr Gregory asked if any staff surveys had been undertaken recently. Ian Williams told the Committee that a survey was due in the next few months and the results of it would be reported back.

8.7 The Committee expressed concern that contract management was still showing red and whether there was anything more the Committee could do on this. Cllr Gregory said that the Committee hadn't seen the measures put in place to manage contract management and asked if there were adequate resources to do this. Tracey Barnett agreed to circulate audit reports on contract management and liaise with Kim Wright to discuss what controls are in place.

8.8 Ian Williams reported that Housing Market and the Footsie had recovered and that there would be implications for the Council following changes to exchange rates as a result of Brexit.

**ACTION – RESPONSE FROM KIM WRIGHT ON CONTRACT MANAGEMENT**

**RESOLVED to note the contents of the report and the attached risk registers and controls in place.**

**9 CORPORATE RISK MANAGEMENT ANNUAL REPORT 2015/16**

9.1 Tracey Barnett introduced the report as set out. The Annual Report had been compiled under the old regime and in the future, it would be different to reflect the high risks of so much change. The Committee requested more detail and Tracey Barnett said she would review the audit reports and circulate confidentially the findings and measures.

**ACTION – TRACEY BARNETT AND KIM WRIGHT**

9.2 The Chair asked for clarification on the housing regeneration income issues. Tracey Barnett said that this reflected the Brexit issue but that the housing market had since revived. There were risks around exchange rates and import/export costs as a result of Brexit.

**RESOLVED to note the contents of the report.**

**10 CORPORATE RISK MANAGEMENT POLICY AND STRATEGY REVIEW 2016**

10.1 Matt Powell introduced the Risk Management Strategy as set out and provided an overview to the Committee.

10.2 Cllr Bell queried some of the terminology such as “peace of mind” and Matt Powell said that this could be addressed.

10.3 Cllr Chapman asked how the strategy was used in practice and how it was integrated into management.

10.4 Ian Williams said that risk management strategy was on the agenda for divisional management team meetings and divisional team meetings and was a live document. Risk assessment was part of performance management and Matt Powell worked closely with the performance management teams.

10.5 The Chair asked about mechanisms for the review the performance data. Ian Williams said that he and Cllr Taylor received monthly suites of data and that the performance framework was owned by the Corporate Management Team and Cabinet. The Chair emphasised that the risk management strategy should be an active item on the management agenda and asked that the performance framework be kept under review.

**RESOLVED to approve and ratify the contents of the report and the attached Policy and Strategy.**

**11 AUDIT & ANTI FRAUD PROGRESS REPORT SEPTEMBER 2016**

11.1 Tracey Barnett introduced the report as set out. Cllr Chapman referred to paragraph 3.1 of the Audit and Anti-fraud progress report and noted that 32% complete or in progress at the end of August in relation to ensuring that services provided VFM seemed low. Carole Murray said that it was being monitored and was on track. However, some of the audits may roll over into the next financial year.

11.2 Michael Sheffield told the Committee there was a wide variety of investigations underway and that the time it took to resolve these varied. Cllr Chapman asked how the team monitored the cases. Michael Sheffield said that regular case reviews were carried out.

11.3 The Chair asked that this service be monitored closely particularly with the reorganisations to ensure that targets continued to be met.

**RESOLVED** to note Audit and Anti Fraud's progress and performance to August 2016.

**12 TREASURY MANAGEMENT UPDATE**

12.1 Michael Honeysett introduced the report as set out. He referred the Committee to Brexit and its effect on interest rates. He said there would be an impact on potential borrowing. The Council now had £3.6m in external borrowing. Investment balances as at 31 August had increased to £208,053. This presented a secure position. Cllr Chapman asked for clarification on internal borrowing. Ian Williams told the Committee that internal borrowing stood at £300m and this was backed by capital receipts and other reserves

12.2 Cllr Taylor said that it was important to recognise that not only were there risks but also opportunities and improvements could be made in identifying and taking opportunities when they presented themselves. The Chair stressed the need to support funding of appropriate risk with the culture and staff to manage it. He considered that the Audit Committee needed to create a framework for this.

**RESOLVED** to note the contents of the report.

**13 WORK PROGRAMME**

13.1 To note the work programme.

**14 DATE OF FUTURE MEETINGS 18 JANUARY 17 AND 20 APRIL 17**

**Duration of the meeting:** 6.30 – 8.45

Chair at the meeting on  
Wednesday, 21 September 2016