

## AUDIT COMMITTEE

THURSDAY, 20TH APRIL, 2017

**Present:** Cllr Nick Sharman in the Chair  
Cllr Robert Chapman, Cllr Michelle Gregory and  
Cllr Carole Williams

**Officers:** Anne Canning, Ian Williams, Michael Honeysett, Tracy Barnett, Bruce Devile, Rob Miller, Matt Powell Patricia Narebor

### APOLOGIES FOR ABSENCE

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

### **1** DECLARATIONS OF INTEREST

2.1 Councillor Robert Chapman declared that he was a trustee of 'Friends of the Elderly.' He confirmed that this was a non-pecuniary interest.

### **3** MINUTES OF THE PREVIOUS MEETING

3.1 The minutes of the meeting held on 18<sup>th</sup> January 2017 were agreed as a correct record.

#### **Matters Arising:**

#### **Treasury Management Strategy 2017/18 – Training Session on Financial Risks**

Michael Honeysett would circulate a detailed update on options around training on financial risk. It was envisaged that a statement would be submitted to the July meeting of the Committee.

#### **Directorate Risk Register – Review of Housing and Neighbourhoods.**

Noted the figures on staff vacancies by the divisions of Housing, Regeneration and Public Realm.

#### **Measuring the success of the Olympic Games**

The chair stressed the need to clarify responsibility for measuring the success for the Borough of the Olympics.

### **4** EXTERNAL AUDIT OPINION PLAN 2016/17

4.1 Jennifer Townsend (KPMG) introduced the External Audit Plan 2016/17 setting out the arrangements for the audit of the Council's annual statement of accounts and the Pension Fund accounts as required by the relevant legislation and related

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Accounts and Audit Regulations. Materiality had been set at £15M for 2016/17 for the Authority and £23M for the Pensions Fund. Jennifer Townsend confirmed the obligation to report uncorrected omissions or misstatements other than those which were 'clearly trivial' to those charged with governance and that this had been set at £750k for the Authority and the Pensions Fund. Jennifer Townsend went on to refer the Committee to the 4 significant risks at page 2 of the report and emphasised the obligation to identify significant risk. She told the Committee that the planned audit fee for 2016-17 was £226,320 for the authority and £21k for the Pension Fund. This was the same audit fee as in the prior year. She confirmed that the Local Authority had a responsibility to have proper arrangements for securing economy, efficiency and effectiveness in its use of resources. She referred the Committee to that part of the report on value for money arrangements work planning.

4.2 Councillor Gregory asked about the procedure for the management of contracts and the response that the Council was looking at how contracts were being novated over and that this would be discussed with contract owners. The Chair stressed the need for an extension of VfM oversight, together with a system of robust monitoring of performance measures and oversight of the capital expenditure and audit oversight of joint authority expenditure.

**RESOLVED:**

To note the contents of the report from KPMG, the Council's external auditor.

**5 DIRECTORATE RISK REGISTER REVIEW - CHILDREN, ADULTS AND COMMUNITY SERVICES**

5.1 The Chair thanked Anne Canning for an excellent report. Anne Canning introduced the report updating members on the corporate risks for the Children's Adults and Community Health Services Directorate as at March 2017. The report identified how risks within the Directorate were identified and managed throughout the year and the Department's approach to embedding risk management. Anne Canning told the Committee that there had been some additional risks added to the register this year, as follows:

- The impact of the Education White Paper Educational Excellence Everywhere
- Escalating SEND Spend
- Safeguarding concerns for those pupils not attending a registered school

The Ofsted inspection had rated the Council's Children's Social Care service as 'good'. The Council's Youth Justice Service was also inspected by the HMIP and there had been no major areas for improvement. SEND, in which there had seen an increase in expenditure was soon to be inspected. Anne Canning referred to the fact that there were also unexpected risks in this service and that this area of Council business was high risk. The Committee noted the new red rated risk, recognising the severity of the potential risks of a safeguarding failure.

5.2 Anne Canning told the Committee that Adult Social Care had more recently come under her management. There were risks in the provider market which was considered fragile and expensive. She emphasised that this service required a stable workforce. In response to a question from Councillor Williams on staffing she told the Committee that successful work had been carried out with Human Resources in filling posts in the service. She told the Committee that the service had more agency staff

than elsewhere in the Directorate but that those agency staff of the right standard could apply for permanent posts within the Council. Adult Safeguarding remained as a risk on the register. The Committee noted that a Head of Adult Safeguarding had recently been appointed.

5.3 Councillor Chapman asked about risks around the high demand for SEND and whether there would be an impact on this year's Budget. In response Anne Canning told the Committee that bi-monthly meetings were being held to discuss and monitor high risk areas of the service to manage increases in demand against existing resources. The Committee noted the risks of an increase in population and in age ranges and the very high cost pressures associated with providing individual care. Lobbying central government continued to secure increased funding.

5.4 Anne Canning told the Committee that Sexual Health remained as a high risk and this service was being recommissioned. In relation to integrated commissioning with the CCG she confirmed to the Board that at present the risk in this area remained with the host authority. Risks were to be reported to the Integrated Commissioning Board. Ian Williams confirmed that a more detailed report on this matter would be reported to the June meeting of the Committee.

**ACTION: Ian Williams**

5.5 In response to a question from Councillor Chapman, Anne Canning confirmed that any unforeseen events would be dealt with through a contingency fund through the CCG. Councillor Gregory asked what measures were in place for children who had been in temporary accommodation in the Borough as they grow up. Anne Canning reported that there was partial data on these young people and that this was being considered. She told the Committee that there were checks and balances in the system, that services were now more aligned and that good practice was being built into service provision. Further, there were improved relations with service providers. In response to a further question from Councillor Gregory whether there would be benefit from increased internal provision of home care services Anne Canning told the Committee that the mixed economy was considered to be advantageous for service provision, including in relation to risk management. She confirmed that although this was a high risk area it was very well supported across the service.

**RESOLVED:**

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

(2) That the Committee receive regular updates on the high risk areas identified in the report.

**6 DIRECTORATE RISK REGISTER REVIEW - FINANCE AND CORPORATE RESOURCES**

6.1 The Committee noted the report updating on the current Finance and Corporate Resources Directorate Risk Register of the Council as at April 2017. The report identified how risks within the Council were identified and managed throughout the financial year and the Council's approach to embedding risk management.

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6.2 In response to a question from Cllr Chapman about pensions and housing scheme risks Ian Williams told the Committee that the Corporate Risk Register needed to be updated to incorporate these areas. In response to the chair's question about poor membership data, Michael Honeysett told the Committee that there had been a rise in inaccurate data from employers and payroll providers. This had been reported to the Pensions board who were monitoring the situation. He reported that there had been a change to the Local Government Pension Scheme with a consequent requirement for more complex data. He told the Committee that a new payroll system was being put in place. However, difficulties in securing accurate data would continue for a further year but a manual override had been put in place to help rectify this problem.

**RESOLVED:**

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

**7 IT STRATEGY UPDATE - VERBAL**

7.1 Rob Miller updated the Committee on ICT services. He referred the Committee to the document 'User survey findings and the Road Ahead.' He referred to the fact that satisfaction levels were lower than expected which he considered reflected past issues with the service. Home workers had a more positive opinion. Feedback indicated demand for a more personal service and positive work was being carried out around this. He reported that new initiatives were being explored, including automatic intelligence. In response to a question from Councillor Chapman he told the Committee that a lot of groundwork had been carried out on information data including on information sharing, retention and how it is used to inform policy. Hackney now had a modern desktop computing service which was accessible from any desk and home and personal PCs. He reported that teams were spending time with residents to target areas for improvement. Rob Miller emphasised that the work to deliver digital services for Hackney would be accelerated. In response to a question from Councillor Williams around risks of for instance robotics, Rob Miller confirmed that such risks were to be explored. Experience and lessons learned at other local authorities would be looked at.

7.2 Cllr Gregory said that there had been good work in the Housing Department. She considered that in relation to Housing Repairs there was a need for a project management tracking system to be in place.

**RESOLVED:**

To note the update on the IT strategy

**8 TREASURY MANAGEMENT UPDATE REPORT**

8.1 The Committee noted the fourth of the treasury relating to the financial year 2016/17 for the Audit Committee, setting out the background for treasury management activity from January 2017 to March 2017 and the action taken during this period.

**RESOLVED:**

To note the report.

## **9 AUDIT AND ANTI-FRAUD QUARTERLY REPORT**

9.1 Tracy Barnett introduced the report on the performance of the Audit & Anti-Fraud Service up to the end of March 2017, the areas of work undertaken, and the information on current developments in Internal Audit and Anti-Fraud as well as statistical information about the work of the investigation team. Tracy Barnett referred the Committee to the fact that many of the KPIs had improved including that the percentage of 'High' level recommendations implemented within timeframe had now reached 98%. The Committee congratulated Tracy for these improvements.

9.2 The Committee noted that Tracy Barnett was leaving the Council and that this was to be her last meeting. The Committee thanked Tracy for all her hard work at the Council. Tracy told the Committee that she had enjoyed her time with Hackney and thanked the Committee for its support. A new Head of Audit would start at the Council on 22 May and Michael Sheffield would take over her role.

### **RESOLVED:**

To note the Audit and Anti fraud's progress report and performance to March 2017.

## **10 REVIEW OF WHISTLEBLOWING**

10.1 Michael Sheffield introduced the report summarising the Council's corporate arrangements for whistleblowing and providing members with an update on the cases received in 2016/17. In response to Councillor William's question Michael Sheffield confirmed that whistleblowing is specifically relevant to staff and other Council workers, other reporting arrangements are in place to allow members of the public to report their concerns (including dedicated fraud reporting hotlines and the complaints process). The Chair emphasised the need for increased publicity for these arrangements.

### **RESOLVED:**

To note the report.

## **11 INTERNAL AUDIT ANNUAL PLAN**

11.1 Tracy Barnett introduced the report asking the Committee to approve the proposed Internal Audit Annual Plan for 2017/18 as part of its role in overseeing corporate governance. Councillor Chapman emphasised the need to report regularly on corporate risk analysis. Tracy Barnett told the Committee of linking the different risk registers.

### **RESOLVED:**

To approve the proposed internal Audit Annual Plan which includes the key performance measures 2017/18.

## **12 PERFORMANCE OVERVIEW**

12.1 The Committee considered the draft set of performance indicators that are to be reviewed by the Audit Committee on a regular basis as part of the Committee's overview of the Council's health.

**RESOLVED:**

(1) To note the current capital monitoring arrangements and arrangements for reporting to the Committee on a regular basis in the future.

**13 ANNUAL REPORT OF AUDIT COMMITTEE 2016/17**

13.1 Tracy Barnett introduced the report summarising the key activities and achievements in 2016/17 that demonstrate how the Committee has fulfilled its role effectively and to measure consistency with the guidance issued by the Public Sector Internal Audit Standards and other statutory requirements. The report had been noted by Council at its meeting on a March 2017.

**RESOLVED:**

To note the report.

**14 WORK PROGRAMME 2017/18**

14.1 Tracy Barnett introduced the report outlining the Committee's work programme for 2017/18.

**RESOLVED:**

To note the report.

**15 ANY OTHER BUSINESS THAT IN THE OPTION OF OF THE CHAIR IS URGENT**

15.1 There was no any other business.

**Duration of the meeting:** 6:30 – 9:00

Chair at the meeting on  
Thursday, 20 April 2017