

## AUDIT COMMITTEE

MONDAY, 15TH OCTOBER, 2018

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

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

**Officers:     Ian Williams, Michael Sheffield,  
Pradeep Waddon, Matt Powell, Dawn Carter  
McDonald, Peter Gray**

**Also**               **Councillor Rebecca Rennison**

**present:**

**Lucey Nutley and Stuart Frith (Mazars)**

### **1     Apologies for absence**

1.1 Apologies for absence were submitted on behalf of Councillor Yvonne Maxwell.

### **2Declarations of Interest**

2.1 Councillor Michelle Gregory declared that she was a member of a Board of a Tenants Management Organisation

### **3     Minutes of previous meetings**

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

#### **Matters Arsing**

##### **3.1.1 Update on Payroll Data**

The Committee noted that an update had been provided at the July meeting of the Committee on this matter. Significant progress had been made on the interface with pensions. 4000 to 7000 Annual Benefits Statements had been issued. It was anticipated that the remainder would be issued next month. The Chair expressed concerns that the risk remained red. It was confirmed that the risk was red as the report interface was still subject to testing.

### **3.1.2 Integrated Commissioning Review Outcome**

The Committee noted that the PwC review was ongoing with detail of likely timescale to follow. The Chief Executives had reviewed the governance arrangements. An update of integrated commissioning would be circulated to members.

**ACTION: Ian Williams**

### **3.1.3 School Places**

It was noted that there was very significant pressure on school places in the Borough. The Greater London Authority reported that the most recent birth data from 2016 suggested that the birth rate in London was slowing and would continue to slow until a levelling off from around 2024. The projections would continue to be monitored closely to assess any sudden increase in projected primary numbers. The Committee noted the update on primary and secondary projections.

### **3.1.4 Update on Housing Staff Turnover**

This was not due until January meeting of the Committee.

### **3.1.5 Priorities raised by the Chair (repairs, contractor performance, and Milestones**

The Committee noted the update from the Director of Housing

### **3.1.6 Provision of milestones around the Director of Housing's priorities**

The Committee noted that action to arrange for the provision of milestones was in progress.

### **3.1.7 Provision of temporary accommodation costs**

The Committee note the update from the Director of Housing

### **3.1.8 Provision of milestones around the Director of Housing's priorities**

The Committee noted the update from the Director Housing

### **3.1.9 Stephen Haynes to be invited to a Brexit risks**

The Committee noted that action to arrange this was under way.

### **3.1.10 Provide report on sustainability board with Cllr Burke**

Ian Williams will circulate a paper on this when this was available

**Action: Ian Williams**

### **3.1.11 Training to be provided re. Treasury Management**

The Committee noted that the training session was in preparation and a date would be circulated.

**Action: Ian Williams**

### **3.1.12 SEND Update**

Noted that this matter had been covered at the Audit Committee meeting in July. A Sub-group had discussed the matter in detail prior to that meeting.

### **3.1.13 Update on Universal Credit risks**

The Committee noted that the matter had been covered under the F & F risk register update

### **3.1.14 Agreed to circulate Housing Development Board risk register**

To be circulated.

### **3.1.15 Request for separate data re. repairs carried by DLO**

The Committee noted that an update was awaited from the Housing Department.

### **3.1.16 Details requested of factors behind extended void turnaround times**

Noted that the Council had a high number of major works voids with 14 properties exceeding the 62 day turnaround time. There were 4 properties which had a detrimental impact, taking between 112 and 147 days to re-let. Turnaround time were exceeded due to – ongoing leaks, letting delays, structural issues. The Department was working collaboratively with other departments to improve the turn-around times. In August this decreased to 52 days.

### **3.1.17 DLO and Contractors**

Bruce Deville would circulate data for contractors, separately highlighting works carried out by the DLO and Contractors.

**ACTION: Bruce Devile**

## **4 Introduction to External Auditors - Mazars**

4.1 Lucy Nutley and Stuart Frith (Mazars) introduced the report. Lucy Nutley told the Committee that Mazars had been appointed as external auditors for the coming five years. She went on to provide the Committee with an introduction to the company, including that it had 83 global partnerships in 83 countries and had much experience of working with Local Authorities. In response to comments of the chair on the robustness of audit Lucy Nutley assured the Committee that accounts had been produced in good time, i.e. 31<sup>st</sup> July and she agreed to look into the suggestion of an internal audit KPI.

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4.2 The Chair stressed the partnership arrangement with the External auditors and that the aim was to take an active role on compliance and the use of audit measures in examining risk. A performance and risk framework was in place that complimented individual risk. The Chair also identified Value for Money as a priority area to work on with the External Auditors.

**RESOLVED:**

To note the contents of the presentation by Mazars.

**5 Treasury Management - Update Report**

5.1 Pradeep Waddon introduced the report updating the Committee on treasury management activity during quarter 2 2018/ 19 as well as the outturn for the 2017/18 financial year.

5.2 The Chair referred to the fact that the move to more external funding would result in higher risk funding of new capital and would add additional cost. He stated that in relation to Capital scheme monitoring the rate prevalent at the time was used. Efforts were made to have better use of investments.

5.3 Ian Williams agreed to circulate a briefing on the removal of the debt cap.

**ACTION: Ian Williams**

5.4 Councillor Patrick Spence highlighted that investment levels had decreased to £102 million at the end of September 2018. Ian Williams referred to the fact that cash flow varies over time. Payments had been made to the Pensions fund and the City and Hackney CCG would repay funds to the Council. The lower figure was triggered by events such as investment in capital. Further, he reported that there had been a number of investments in the Council's fleet.

**6 Directorate Risk Register Review - Finance and Corporate Resources**

6.1 Matthew Powell introduced the report updating members on the current Finance and Corporate Resources Directorate Risk Register of the Council as at October 2018. The report also identified how risks within the Council were identified and managed throughout the financial year together with the Council's approach to embedding risk management.

6.2 Matthew Powell reported there had not been any dramatic changes to the Risk Register. He confirmed that the accounts closure score had slightly decreased and steadied in light of positive progress. There was now clear assurance that the new deadlines are achievable. Brexit continued to be corporate risk with associated uncertainty. The Council was considering all possible outcomes and impact including whether European funding was at risk. The Chair emphasised the need to closely observe the ongoing negotiations. Ian Williams advised that a further update would be provided at the next meeting when the corporate risk register is reviewed.

6.3 Ian Williams reported that a lead officer was now in post to ensure that the necessary arrangements were in place for Brexit with the necessary support mechanisms. Further, business contingency plans would need to be in place.

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6.4 Councillor Michelle Gregory asked whether there was a London wide strategy with regard to Brexit. Ian Williams reported that discussions were ongoing with London Council's on areas of greatest exposure. Councillor Rennison highlighted a number of risk areas of importance such as house prices and labour supply. The Committee expressed concerns at the possible loss of front line staff and the consequent impact on service delivery as a result of Brexit.

6.5 Ian Williams would circulate a briefing on measures that could be put in place in regard to universal credit.

**ACTION: Ian Williams**

6.6 Matthew Powell highlighted a number of areas of risk, including, universal credit, pensions and volatility of the markets, homeless reduction act, ICT and risks around security.

6.7 Councillor Ajay Chauhan asked about employing additional frontline staff to improve rental turn around and increase income. Ian Williams told the Committee of changing patterns of spending and the continued pressure on the high street. It was now taking longer to rent out properties and that an increase in front line staff number would not assist in increasing the turn around.

6.8 The Chair referred to the risk of the impact of rising property prices and rents and how this was being mitigated. Ian Williams confirmed that Housing Benefits did not cover the higher rents. Councillor Rebecca Rennison told the Committee that it was not possible to control costs but that the Council could invest in temporary accommodation and allocate social rent properties. She referred to the continued pressure on temporary accommodation.

6.9 The Chair asked for an update to the January meeting on progress on initiatives in ICT, including on G Suite and the staff survey.

**ACTION: Rob Miller**

**RESOLVED:**

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

## **7 Performance Overview**

7.1 Ian Williams 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. It provided an updated set of key performance indicators along with an update on risk management with a corporate Scorecard and some accompanying commentary on the Council's risk approach.

7.2 Bruce Devile reported difficulties in the numbers of PCNs issued with new traffic restrictions.

7.3 Councillor Michelle Gregory stressed the need to have more detailed information on capital expenditure.

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7.4 The Committee referred to the fact that the top 5% of earners were from ethnic minorities. Bruce Devile told the Committee that this related to changes to workforce numbers rather than individuals in post, He referred to the fact that there had been an increase in agency staff and that the figures were based on permanent staff. Following a request from Councillor Michelle Gregory it was agreed that the percentage of agency staff employed would be circulated to members of the Committee.

**ACTION: Bruce Devile**

7.5 In response to committee concerns, Bruce Devile reported that there was a need to close the gap in relation to the percentage of repairs completed on first visits. He referred to the fact that completion depended on the complexity of the repairs carried out. The Chair stressed the need for continued pressure on this long term objective.

7.6 Following a committee request, Bruce Devile agreed to circulate information around NH PR PRS 009, open planning enforcement cases less than 4 years old which had been under target for some time.

**ACTION: Bruce Devile**

**RESOLVED:**

To note the performance indicators presented at appendix 1 and the risk management scorecard in appendix 2 and to note the current capital monitoring update at appendix 3.

**8 Audit & Anti-Fraud Quarterly - Progress Report**

8.1 Michael Sheffield introduced the report on the performance of the Audit and Anti-Fraud Service, the areas of work undertake, and information on current developments in Internal Audit and Anti-Fraud as well as statistical information about the work in the investigation teams.

8.2 Michael Sheffield told the Committee that 41 % of planned assignments have been completed or were in progress. This compared to 31 % in the previous year. 18 audits from the 17/18 audit plan had also been concluded. Assurance levels stood at 22% significant, 37% reasonable and 4% not applicable. It was noted that those ratings were lower than previously. He told the Committee that the implementation rate had fallen short as a result of a large number of 'High' category recommendations arising from 4 TMOs audits during 2017/18.

8.3 The estimated savings arising from enquiries was £1,757,961. There had been 23 recoveries of tenancies. POCA proceedings had resulted in a confiscation order of £147, 998, 97.

8.4 The National Fraud initiative was continuing and outcomes would be received early in 2019. Matches are investigated by various LBH teams over the 2 year cycle. AIT investigate some matches and coordinate the overall response. The council sets its priority areas.

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8.5 Councillor Brian Bell asked whether the disciplinary action referred to related to agency staff or permanent employees. It was confirmed that disciplinary action concerned 4 permanent employees and 3 agency workers.

8.6 Councillor Harvey Odze asked what the implications of the procurement investigation was in terms of risk. Michael Sheffield reported that the charge had only recently been laid in court and the process was at a sensitive stage, and that the Council is fully supporting the Police prosecution.

**RESOLVED:**

To note Audit and Anti-Fraud's progress and performance to August 2018.

**9 Review of Risk Policy and Strategy**

9.1 Matthew Powell introduced the report advising members about the recently revised and reviewed corporate risk management policy and strategy. The policy detailed the framework for managing risk within the Council and the strategy outlined how the Council intended to proceed in terms of managing its risks. It also outlined which approaches and techniques would be used to successfully carry this out. Matthew Powell told the Committee that the policy and strategy document was evolving.

9.2 The Chair suggested that this issue be the focus of a future training session and that others in the Council could attend. He confirmed that the role of attendees at the Committee would need to be differentiated. On the suggestion of the chair the Committee agreed to the establishment of a small group to monitor risk.

**RESOLVED:**

To approve and ratify the contents of the report and the attached policy and strategy.

**10 Audit Committee Programme 2018/19**

10.1 The Committee agreed that the external audit opinions plan would be submitted to the January meeting of the Committee.

**RESOLVED:**

To note the Audit Committee work programme and make the necessary amendments.

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

There was no urgent business

**Duration of the meeting:** 6:30 – 8:15

Chair at the meeting on  
Monday, 15 October 2018