

## AUDIT COMMITTEE

MONDAY, 28TH JANUARY, 2019

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

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

**Officers: Kim Wright, Rob Miller, Michael Honeysett, Michael Sheffield, Pradeep Waddon, Dawn Carter MacDonald, Bruce Devile, Matt Powell, James Newman, Peter Gray**

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

### **1    Apologies for absence**

1.1 Apologies for absence were submitted on behalf of Councillor Chauhan.

### **2    Declarations of interests**

2.1 Councillor Gregory declared membership of a TMO.

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

3.1 The Minutes of the meeting held on 15 October 2018 were agreed as a correct record.

### **Matters Arising**

#### **a. Integrated Commissioning Review Outcomes**

3.1.1 The Committee noted that an update on integrated commissioning would be submitted to the April meeting of the Committee.

**Action: Anne Canning**

#### **b. Report on the Sustainability Board**

3.1.2 Ian Williams and Councillor Burke would update the Committee at its' April meeting on the Sustainability Board following the first meeting of the Board in January.

**Action: Ian Williams**

### **c. Brexit Risks**

3.1.3 Kim Wright reported that an internal Brexit Task Group had been established, chaired by Ian Williams and that she was leading the Borough wide preparations for Brexit. From February, status reports would be submitted to the Government every week to enable a reporting summary of key risk issues. Each region had nominated a Chief Executive, with John O'Brien being the Chief Executive for London. The Chair requested a weekly update on Brexit developments. Kim Wright agreed to co-ordinate these updates to the chair.

**Action: Kim Wright / Ian Williams**

3.1.4 Council noted that some of the main Brexit risks centred around:

- employment
- social cohesion and unrest
- local economy
- mutual aid considerations
- UK settled status
- Increase in costs
- impact on local resources
- currency fluctuation

### **d. Update on Housing Staff Turnover**

3.1.5 Councillor Gregory referred to the fact that there continued to be high numbers of agency staff employed by Housing Services and asked what plans were in place to reduce these numbers. Kim Wright reported that much work was being undertaken in this area and that the number of agency staff was reducing, as she had established an Agency Recruitment Panel for any applications/ extensions for such posts. There had been 300 applicants for posts at contact centres and it was hoped that these permanent appointments would be made soon to reduce the over reliance on agency staff.

### **e. Treasury Management – Training**

3.1.6 Noted that there had been a training session for Audit committee members prior to meeting. Councillor Odze suggested that it be made a requirement of the constitution that members of the Committee should receive training before sitting on the Committee.

### **f. SEND Update**

3.1.7 Noted that the Sub-Group had discussed this matter in detail and that there was a need for a further meeting on SEND in early February.

## **4 External Audit Plan 2018/19**

4.1 Lucy Nutley introduced the report, outlining key areas for the Committee's consideration.

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4.1 The Chair referred to the issue of value for money in audit and the management of overspend and whether credit processes were in place. He referred to the high risk on capital and the need to consider the value of investments. He asked for alerts on these issues. Lucy Nutley reported that there would not be an impact in 1918/19. Mazars would take this into account and investigate whether this had been appropriately considered and would report back to the Committee. It was agreed that a further informal meeting be arranged with Ian Williams, Lucy Nuttall (Mazaars) and Councillor Sharman in respect of the value for money in audit work.

**ACTION: Ian Williams**

**RESOLVED:**

To note the contents of the reports from Mazars, the Council's external auditors and that a further informal meeting be arranged with Ian Williams, Lucy Nuttall and Councillor Sharman in respect of the value for money in audit work.

**5 ICT Service Strategic Update**

5.1 Rob Miller introduced the report providing an update on the strategic progress across the Council's services in the delivery of transformation, enabled through technology and data. He referred the Committee to the key points in the report, including the current service led approach to improving services, working with service leaders to find ways of helping and providing support, work on sustainability, strategic progress in Housing Services and improving contact centres. Rob Miller referred to the sustained improvement in user satisfaction and told the Committee that there remained areas of activity that required improvement. Data awareness training had been carried out and key areas of the management of risk had been highlighted. Most positions in the department were filled by permanent staff and there had been strong progress on the apprenticeship scheme. Very positive feedback had been received around data protection, with continued improvement on information security.

5.2 Councillor Maxwell stated that Councillors had not yet received training on GDPR and asked about any related risks. Rob Miller told the Committee that work was ongoing on this matter with the Council's Members Services section and that a programme was almost complete. He confirmed that levels of risk had been identified.

5.3 Councillor Odze welcomed the work that had been carried out in Housing Services and the improvement in feedback on the ICT survey but considered that the latter required further improvement. Rob Miller told the Committee that 3800 employees had responded to the survey and that there was a good awareness of where the short falls in the service lay and that work was ongoing in these areas with efforts being made to ensure an approachable, responsive service. In response to a question from Councillor Spence, Rob Miller referred to the measures that were being carried out in the area of recruitment and retention, including, marketing Hackney Council to potential employees, exploring new recruitment channels, including use of LinkedIn and offering roles through the Civil Service Jobs recruitment site together with the launch of a new digital apprenticeship programme. He told the Committee that the pressure on recruitment may increase with Brexit. Matthew Powell confirmed that the risk on Brexit had reduced as a result of improvement work in the ICT.

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5.4 Councillor Bell asked why the Education Department had a separate IT service... Rob Miller told the Committee that ICT worked closely with Education IT had agreed to raise this issue.

5.5 The Chair referred to the very positive report on ICT. There continued to be areas that requirement improvement, including ICT's relationship with the Education Department and that a joint strategy was required. Rob Miller confirmed that he would work with the Head of IT at the Learning Trust on this matter.

5.6 Councillor Gregory referred to the need for training on iPads.

**RESOLVED:**

To note the update from the Council's ICT service.

**6 Directorate Risk Register Review - Neighbourhoods & Housing**

6.1 Kim Wright introduced the report updating members on the current Risk Register for Neighbourhoods and Housing Directorate at January 2019. The report also identified how risks within the Directorate were managed throughout the financial year and the approach to embedding risk management. Kim Wright referred the Committee to the key changes to risk, including:

- A slight change in the health and safety risk, but the risk remained
- A reduction in risk in relation to the management of changes in supported services
- A reduction in risk in relation to contract procurement and management in Housing Services, resulting, partly from the appointment of key staff on a permanent basis and the establishment of the Housing Capital Monitoring Board, giving an oversight on delivery. This risk remained red, given the lack of control over external contractors.

6.2 Councillor Spence asked about built in tolerance in relation to property value, given current volatility, together with assumptions around population projections. Kim Wright agreed to provide information around the Council's overall programme/governance/risk management in the Council housing regeneration work. Councillor Maxwell asked that Members also be briefed on debt caps and funding from the Mayor of London.

**Action: Kim Wright**

6.4 Councillor Odze made reference to the reputational risks around regeneration, asking for the introduction of measures to improve the profile for the Council where it is building, through better publicity, including providing progress on sites. Kim Wright told the Committee that a comprehensive programme of hoardings was to be rolled out to sites and agreed to circulate details of the programme of this rollout.

**Action: Kim Wright**

6.5 Councillor Gregory asked how many contracts failed to meet there Key Performance Indicators and asked for a summary report on contract management. Kim Wright told the Committee that there was now more robust management of contracts and referred to a system of early warnings with the removal of contractors.

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Kim Wright would submit a report on contract management, including on how the Council works as a client, in housing services to the next Committee

**Action: Kim Wright**

6.6 Councillor Bell referred to difficulties in ensuring that leaseholders took responsibility for fire risks and whether the Council had a policy on gaining entry to properties. Kim Wright confirmed that the Council had a leaks policy and was able to force entry as part of the gas safety check programme. She said that the Council was now firmer in its dealings with leaseholders and contractors.

**RESOLVED:**

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

**7 Corporate Risk Register**

7.1 Matthew Powell introduced the report, updating the Committee on the current Corporate Risk Register of the Council as at January 2019. The report also identified how risks within the Council are identified and managed throughout the financial year and the approach to embedding risk management. He referred to the fact that there was a real chance of a 'No deal Brexit'. The risk in relation to workforce had decreased. He referred to successful initiatives in relation to corporate risk, including around recruitment and retention.

7.2 The Chair stated that there was a need to find ways to integrate how risk is reported. He referred to the increase in commercial risk as part of the Council's activities and the need for proper measurement of this.

7.3 Councillor Maxwell asked what measures were in place to mitigate new policies affecting housing. Matthew Powell referred the Committee to the risk in relation to pressures on temporary accommodation and the possible need to identify additional resources, with a higher rate of incentives from private sector landlords.

7.4 Councillor Spence asked whether consideration should be given to borrowing, given the Council's cash position with low interest rates that were 'only' likely to rise. Michael Honeysett told the Committee that the cash/liquidity position balances at the Council were continuously monitored and that decisions regarding borrowing were regularly discussed with appropriate officers and advisers.

7.5 Councillor Odze referred to the need to test the resilience of ICT systems and disaster recovery. The Committee noted that this test was carried out and that a plan was in place in this regard. Councillor Odze went on to ask for an update on the new energy organisation that the Council was setting up. Matt Powell confirmed that an update on this would be made to the next meeting of the Committee.

**Action: Matthew Powell**

7.6 The Committee noted that Anne Canning would update the next meeting of the Committee around SEN funding.

**Action: Anne Canning**

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7.7 The Committee referred to the fact that the risk in relation to pensions remained high. Michael Honeysett told the Committee that work continued to resolve the difficulties around the interface between payroll and pensions. There now was a test report and 4 out of 7 had been tested and were operational. Statements had not been issued within statutory deadlines.

**RESOLVED:**

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

**8 Performance Overview**

8.1 Matthew Powell introduced the report providing and update on risk management with a Corporate Scorecard and other accompanying commentary on the Council's risk approach. The report also set out the latest capital programme monitoring with some enhanced analysis of the variances in the Budget.

8.2 The Committee expressed concern at high levels of sickness, rising to an average of 8.87 days a year, appreciating the change in definition. It was agreed to request the Head of HR to circulate an update as to what action was being taken with regards the levels of sickness. Councillor Gregory asked that as part of this exercise, short term and long term sickness be separated out. Councillor Gregory also asked for an explanation as to what was causing the falls in Top 5% earners: Ethnic minorities and Top 5% earners: Women, which she found to be concerning. Dan Paul would be requested to circulate a briefing on this matter.

**Action: Dan Paul**

8.3 The Committee expressed concern at the increase in rent arrears and what support was being offered to tenants in arrears. Bruce Devile told the Committee that part of the problem related to the introduction of universal credit and that financial support was in terms of managing finance to help people.

8.4 The Chair expressed concern that street and environmental cleanliness were red, with a dip in relation to PI code; NH PR WS 045b. Bruce Devile told the Committee that the dip resulted from the imposition of greater targets. Michelle Gregory referred to the very good cleaning service in the Borough.

8.5 Councillor Odze commented that Hackney compared favourably with LB Barnet and congratulated the improvement in relation to household waste.

**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.

**9 Certification of Grants & Returns 2017/18**

9.1 Michael Honeysett introduced the report summarising the results of the work carried out by the Council's external auditors. KPMG, in respect of the 2017/18 grants claims and returns, the details of which were included in the appendix to the report.

**RESOLVED:**

To note the report from KPMG, the Council's external auditors for 2017/18.

**10 Treasury Management Strategy 2018/19**

10.1 Pradeep Waddon introduced the Treasury Management Strategy for 2019/ 20 and Annual Treasury Management Strategy for 2019/20 for the financial year. Michael Honeysett stressed the importance of security and liquidity.

10.2 Councillor Spence referred to the Council's caution in regard to its investments in terms of levels and where these investments were made. Michael Honeysett told the Committee that the capital invested was in secure investments and that the Council did not take risks in respect of higher yields if security was threatened. Liquidity was important given funding requirements of the capital programme.

**RESOLVED:**

To approve the draft Treasury Management Strategy 2019/20 for submission to Council subject to finalisation of the Capital programme with delegated powers to the Group Director of Finance and Resources to approve the final Treasury Management Strategy for submission to Council.

**11 Treasury Management Update Report**

11.1 Pradeep Waddon introduced the half year treasury for 2018/ 19. The Council continued to use AAmmf/Aaa/AAAm rated Money Market Funds, providing very good security.

**RESOLVED:**

To note the treasury management activity reports at the appendices to the report.

**12 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-Fraud as well as statistical information about the work of the investigation teams.

- In relation to 2018/19 Audit Plan activity, 68% of the original plan was completed or in progress, compared to 70 % for the previous year.
- Client satisfaction stood at 97 %, with 75 % of audits exceeding expectations.

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- 6 audits from the 17/18 plan had also been completed during the reporting period. All high recommendations had been agreed. There was an 87 % implementation rate compared to 67 % in the previous year.
- The recruitment campaign for a Head of Internal Audit had not been successful and there had been a vacancy for this post since November 2018.
- The largest number of high recommendations are in Neighbourhoods and Housing. Half of these recommendations referred to TMOs. It was noted that implementation was more problematic with third parties and that work was ongoing with TMOs on this.
- 18 housing applications and 5 RTB applications cancelled after review and investigation
- Estimated savings arising from enquiries, amounted to £1,166,854.

12.2 Councillor Bell asked about progress on lift services and the suggestion that Hackneys' cost were higher. It was considered that details of the recommendations on how this was managed could be included in the contract management report to be submitted to the next meeting. The Chair stressed the need to concentrate on improvement to 'Right to Buy'

**RESOLVED:**

To note the Audit & Anti Fraud's progress and performance in 2018.

**13 Work Programme**

13.1 Michael Sheffield introduced the report.

**RESOLVED:**

To note the work programme

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

14.1 The Chair reported that the next deep dive was to be in respect of Procurement and in-sourcing. There was a need to understand criteria being applied to insourcing decisions. These proposal would be outlined at the next Audit Committee meeting in April. Work was ongoing with Councillor Rennison on this matter.

14.2 The Chair told Council that the Audit Committee Annual Plan would be submitted to the next Council meeting in February and the Audit Committee in April 2019. A draft of the report would be circulated to members for comment.

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

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