

AUDIT COMMITTEE

WEDNESDAY, 10TH APRIL, 2019

Present: Cllr Nick Sharman (Chair)
Cllr Brian Bell (Vice-Chair),
Cllr Michelle Gregory and Cllr Ajay Chauhan

Cllr Rebecca Rennison (Agenda item 6)

Officers: Ian Williams, Anne Canning (Agenda item 6 and 7), Jackie Moylan (Agenda item 7), Michael Honeysett, Dawn Carter-McDonald, Michael Sheffield, Pradeep Waddon, Bruce Devile (Agenda Item 10), Sinead Burke (Agenda item 4), Frank O'Donoghue (Agenda item 6), Andrew Lee (Agenda Item 6)

Lucy Nutley (External Auditors)

1 Apologies for absence

1.1 Apologies for absence were submitted on behalf of Councillor Harvey Odze and Councillor Patrick Spence.

2. Declarations of Interest

2.1 Councillor Michelle Gregory declared that she was a members of the Board of a Tenants Management Organisation.

3 Minutes of the previous meeting

3.1 The minutes of the meeting held on 28th January were agreed as a correct record.

Matters Arising

The Committee noted actions taken arising from the actions points in the minutes of the previous meeting. In relation to 'Update on the risks around trading companies', this risk was on the corporate register which would be submitted to the June meeting of the Committee.

4 Contract Management - Briefing

4.1 Sinead Burke introduced the briefing paper providing a summary on contract management, following a request at the previous meeting of the Committee. The Chair highlighted that concerns around contract management in the Borough had

been discussed at a Council's Scrutiny Committee, with the matter also having had been published in a local Hackney newspaper. Ian Williams outlined that the contents of the article was based on historical information.

4.2 Sinead Burke told the Committee that the Council had a wide range of contracts and agreed to focus on the largest long term contracts. She outlined the following facts to the Board:

- As of April 2018 the annual commissioning of proposed works to each block had been approved by Cabinet
- An SCA Checklist was in place to present schemes to the Capital Monitoring Board
- The Contract Management Board monitored contracts in use across Housing Services, together with how they are managed
- A long term Asset Management Strategy had been approved at March Cabinet
- An annual review of performance and management indicators had been carried out across Housing Services
- In order to ensure greater clarity of KPI reporting, and ensure consistency with contract procedures, a full day workshop had been established for May 2019 to include representatives from the three contractors and Hackney Council. This was to ensure that any clarifications and adjustments to KPIs could be made to utilise for the 19/20 financial year to ensure that reporting was more meaningful
- Escalation procedures were in place in all contracts for resolution of disputes or matters arising which may affect the contract. The intent was to resolve matters locally
- Hackney Council used clerks of work on all contracts to inspect and sign off that the quality of the works was in line with the specifications
- In relation to the valuation process, each month the contractor applies for payment for the work carried out that month. These applications are scrutinised both on site and via regular commercial meetings with reference to quality control inspections carried out.

4.3 Sinead Burke confirmed that schemes would not be submitted to the Board until such time as officers were satisfied that it had been demonstrated that key pre-construction procedures had been completed. In response to Councillor Bell's question regarding the lift contract, she confirmed that the Council was not tied into contracts. Councillor Bell stressed the need for improved communication between contract management and the Borough's residents. Councillor Gregory expressed concern that many of the Borough's contracts were not managed effectively. Sinead Burke reported improvement to the preparation of contracts, including having more formal work stages, ensuring that projects were commissioned properly and were correctly priced up.

4.4 The Chair referred to the improvements in the service but considered that it was difficult to ascertain the overall profile of the service and stressed the need for systematic mechanisms for overseeing its' performance, with the production of outputs to reassure that the service was working effectively. He asked to be updated regularly on this. He stressed the importance of having good relationships with partners with good quality staff and information produced.

5 External Audit Update

5.1 The Chair congratulated officers on the report. Lucy Nutley of Mazars reported that work was in progress with good engagement with the Council's finance team. She said that guidance on SEND had not yet been received from CIPFA. Councillor Chauhan asked about risk around migration to universal credit and it was noted that there had already been an increase in rent arrears. Ian Williams told the Committee that there had been much delay in the introduction of universal credit and that the numbers affected by it remained low. Further measures were being put in place to mitigate the effects of universal credit, including work by ICT to enable online payments. The Chair stressed the importance of ensuring that the Council had a robust approach to the issue of Value for Money. Lucy Nutley confirmed that consideration was being given to value for money (VFM) issues. Further, the National Audit Office was commencing consultation on a new Audit Code of Practise which would also cover VFM.

RESOLVED:

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

6 SEND Deep Dive – Members Report Back

6.1 The Chair introduced the report back to the Committee, thanking officers for their work in its preparation. The report focused on the deep dive into SEND funding, embarked on to ensure that this risk was being properly planned for and managed and that the Council was doing all it could to maintain the quality of service necessary for some of the Borough's most vulnerable residents. This SEND cost pressure was a significant financial risk facing Hackney and other Councils.

6.2 Frank O'Donoghue referred the Committee to the fact that the current forecast suggested that SEND expenditure would increase by between around £1.7m and £2.0m per annum and that this rate of increase may continue for a number of years. The report looked at modelling cost savings each year for the service and having cost control mechanisms in place. Andrew Lee told the Committee that much centred on parental expectations and that there was a need to strike a balance between the identified needs of the child and parental expectations. He referred the Committee to 'the current local currently commissioned specialist settings in Hackney across a range of SEND needs'. He also confirmed that the cost of special needs provision provided by the Independent Sector in particular, often out of borough, had escalated significantly.

6.3 The Chair told the Committee that the Council was not in control of demand or supply in relation to SEND. He said that the deep dive process had given confidence that consideration was being given to the way forecasting was carried out. Councillor Chris Kennedy referred to the cost pressure in the system and the need for medium term financing to address this. He confirmed that many local authorities were experiencing difficulties in relation to cost pressures around SEND funding. Councillor Rebecca Rennison stressed that consideration was being given to what powers and flexibility the Council had in regard to funding.

6.4 Ian Williams told the Committee that all London Boroughs were experiencing difficulties in relation to pressures on SEND funding. He referred to the fact that officer

level meetings together with meetings with ministers were being held to discuss the issues and that all parties were listening. Treasury officers had met with the GLA. Further, work had been carried out with external auditors on this. He told the Committee that it would not be possible to cross subsidise from the Housing Revenue Account which was ring fenced. CIPFA had been approached for a view on this, with a resultant negative response. Ian Williams confirmed that the Council was looking at ways to secure savings through medium term financing. He told the Committee that this was now a national issue and that efforts were being made to ensure that proper decisions are being made to safeguard public funds.

6.5 Councillor Kennedy stressed that there were avenues through which to exert political influence. He confirmed that the outcome of the judicial review challenging how the Government funds SEND would be known on 12th April. Councillor Gregory asked how many SEND children were in temporary accommodation and how the Council could provide support to improve conditions. Andrew Lee confirmed that there was an ethnic skew in regard to SEND children and that the age profile was normal. He confirmed that there was no evidence of deprivation among this group. The Chair referred to a very helpful report and the need for members to be reassured that supporting systems were secure, with a co-ordinated process to address the issue. He stressed that the report should be shared with members of Council and that he would discuss the matter with members on how best to accommodate the process.

RESOLVED:

To note the report and its conclusions

7 Directorate Risk Register Review - Children, Adults and Community Health

7.1 Anne Canning introduced the report updating the Committee on the risk for the Children's, Adults and Community Health Services Directorate as at February 2019. The report also identified how risks within the Directorate are identified and managed throughout the year and the Council's approach to embedding risk management.

7.2 Anne Canning told the Committee that the service was very aware of the risk to children and adults in the Borough and referred to the Council's use of independent Chairs to carry out independent reviews of cases. Five adult cases had been reviewed this year.

Public Health

7.3 Testing for sexually transmitted disease was a demand led service, delivered in locations across London and beyond. Controls included the introduction of an online services for residents to order self-testing kits. Anne Canning confirmed that the service had acted quickly in relation to the outbreak of measles in the Borough.

Hackney Learning Trust

7.4 Escalating SEND spend was currently a significant pressure given the limits on funding in this area. This increasing cost pressure was considered to be unsustainable. Judgements from the Judicial reviews of Hackney and Surrey on SEND funding was expected on 12 April. The Committee noted that a sustainability model was awaited from the Government. Safeguarding considerations for those pupils in unregistered settings continued to be a severe risk and the numbers in this setting

continued to rise in the Borough. It was noted that a scrutiny investigation had been carried out on this matter in 2018. The nature of the risk around primary school places had changed, going from a position of insufficient school places to a surplus of these places. Councillor Bell expressed a concern about the fact that it was only maintained schools where places were being cut in the Borough.

7.5 Councillor Michelle Gregory asked about the extent of the risk in relation to the exclusion of children from schools in the Borough and asked that an analysis of this be sent to members. She referred to the lack of in-house provision for the elderly and asked if this could be considered as part of the Council's regeneration work, with the introduction of in-house care provision. Anne Canning confirmed that work was ongoing with partners around exclusion and referred to the balancing act that schools had to undertake in this process and considered that those children who were excluded had lost the protective factor. The Committee noted that the latest set of secondary school projections concluded that the projected secondary places was insufficient to warrant the need for a new secondary school in 2020/21 due to falling primary rolls. Future projections would continue to be monitored. Councillor Bell stressed that this should not be managed through one off reductions. Anne Canning told the Committee that a business model was being developed to assist management and stability of schools over the coming years.

Adult Services

7.6 The core adult services risks remained consistent with the risks highlighted to the Committee in 2018 and the likelihood of most risks had largely stayed the same. However, in some cases the risks had reduced in likelihood and one was no longer considered a significant risk for the department. There continued to be a concern about the sustainability of the provider market, including an increasing number of providers who were returning contracts to local authorities. The Chair asked for clarification on the significance of the risk on this. Anne Canning confirmed that the Council was more vulnerable in this regard. She told the Committee that even extensive planning could not prevent providers from closure. She confirmed that the Council was improving its scrutiny of this and that a solid action plan was in place to work with providers on this. However, this remained a significant risk.

Children and Families

7.7 The Committee noted that there had been an increase in the number of looked after children in the Borough, together with an increase in complex admissions. It was noted that securing placement for looked children was proving to be a challenge. An Ofsted visit in February of this year had resulted in the service having to refocus how it operated. Ofsted had provided priority actions and required that these be acted on urgently. Concerns focused on the timeliness in which children moved through the system together with management oversight. An action plan was now in place in relation to these matters. There remained significant risks in the service, in particular risks around the threshold for removing a child from a family. This area was under review together with supporting social workers in making decisions in relation to the future care of children. Anne Canning confirmed that the principle of keeping a child safe in a family setting was to be maintained. It was noted that check points had been established and work was ongoing with social workers to ensure more comprehensive risk assessments, with an emphasis on the use of evidence base, with challenge to disguised compliance of parents/carers. The Chair asked about the position in relation to the recruitment of social workers. Anne Canning confirmed the area of recruitment

of social workers was very positive. It was noted that there was to be external scrutiny of aspects of the service. Anne Canning further confirmed that children came first in all decisions in regard to their care and that financial considerations did not form part of the decision.

Integrated Commissioning

7.8 Anne Canning updated the Committee on the governance review of integrated commissioning arrangements. As a result there had been a change to the work of the Transformation Board and the establishment of an Accountable Officer Group. It was noted that the Integrated Commissioning Board was setting up a system for outcome frameworks, subject to measurement over time. Work was ongoing with the Clinical Commissioning Group (CCG) on this. It was noted that an assessment of risk would be required, prior to any pooling arrangements. Anne Canning reported complexities around financial integration but that this had not held back progress and work was ongoing with the CCG on this.

RESOLVED:

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

8 Treasury Management Update

8.1 Pradeep Waddon introduced the fourth of the treasury reports relating to the financial year 2018/19 for the Audit Committee. The report set out the background for treasury management activity from January 2019 to March 2019 and the action taken during this period. He reported that there had been no major changes to report since the previous meeting of the Committee. The Committee expressed reassurance from the report.

RESOLVED:

To note the report

9 Internal Audit Annual Plan 2018/19

9.1 Michael Sheffield introduced the proposed Internal Audit Annual Plan and resources for 2019/20. He referred to the fact that there was significant input from service managers and that regular horizon scanning took place. He referred to the higher number of school audits than usual, which was a quirk of the review cycle which aimed to cover all schools every 5 years. Lucy Nutley confirmed to the Committee that the External Auditors would work with the Council in regard to the plan.

RESOLVED:

To approve the proposed Internal Audit Annual Plan which included the key performance measures for 2019/20

10 Performance Overview

10.1 The Committee considered the overview set of reports that were selected to be reviewed by the Audit 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 together with an update on risk management with a Corporate Scorecard and some accompanying commentary on the Council's risk approach.

10.2 Bruce Devile reported that for the period January/ February there had been a decrease in rent arrears. He told the Committee that work was underway on a dashboard providing managers with increased detail on sickness. The Chair stressed the need to achieve increased levels of accountability in this area. In relation to the Corporate Risk the Committee noted that there were 13 red risks. Further information on setting up internal companies would be submitted to the next meeting.

RESOLVED:

To note the performance indicators, Risk Management Scorecard and the current capital monitoring update.

11 Audit & Anti-Fraud Quarterly Progress Report

11. 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 together with statistical information about the work of the investigations team. Michael Sheffield reported to the Committee as follows:

- In relation to internal audit work, 81 percent of the original planned work had been completed or was in progress.
- 6 audits from the 17/18 plan had also been completed in the quarter.
- All high level recommendations had been agreed
- The number of limited or no assurance audit reports for 18/19 currently stands at 26%, which is the same as was recorded for 17/18.
- The high number of partially implemented recommendations in Neighbourhoods and Housing resulted from large numbers of 'High' category recommendations arising from four TMO audits during 2017/18.
- Estimated savings for the quarter arising from counter-fraud enquiries stood at £1,049,155

RESOLVED:

To note the Audit & Anti Fraud's progress and performance to March 2019.

12 Review of Whistle Blowing

12.1 Michael Sheffield introduced the report summarising the Council's corporate arrangements for whistleblowing and providing the Committee with an update of the cases received in 2018/19. He reported that protection for whistle blowers was the same through all routes and that half of the referrals were received from sources that could be described as whistle blowing.

RESOLVED:

To note the report.

13 Audit Committee - Annual Report

13.1 Michael Sheffield introduced the report detailing the role of the Audit Committee and summarising the key activities and achievements in 2018/19 that demonstrate how the Committee has fulfilled this role effectively and to measure consistency with the guidance issued by the Public Sector Internal Audit Standards and other statutory requirements.

13.2 The Chair reported that the next deep dive would be in the area of the Council's Procurement Service. Ian Williams reported that the deep dive into SEND funding had worked well. He referred to the fact that many Council Services were being in-sourced and that there was a need to ensure that there were appropriate in-house managements arrangements in place to facilitate this. The Chair stressed the need to review these arrangements, whilst considering opportunities.

RESOLVED:

To note the Annual Report of the Audit Committee.

14 Work Programme

RESOLVED

To note the report

15 Any other business that in the opinion of the chair is urgent

15.1 There was no other business

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

Chair at the meeting on
Wednesday, 10 April 2019