

**AUDIT COMMITTEE**

**WEDNESDAY 13TH JANUARY 2021**

The meeting was held remotely

**Present:**

**Councillors:**

**Cllr Nick Sharman in the Chair, Cllr Michelle Gregory (Vice-Chair) Councillor Clare Potter  
Cllr Patrick Spence and Cllr Harvey Odze,  
Councillor Anna Lynch**

**Officers: Tim Shields, Ian Williams, Jackie Moylan, Dawn Carter-McDonald, Deirdre Worrell,  
Ajman Ali, Michael Sheffield, Pradeep Waddon,  
Matthew Powell, Bruce Devile, Tracey Barnett,  
Andrew Spragg**

**Lucy Nutley, Mazars**

The order of the agenda was revised at the outset of the meeting.

**1. Apologies for absence**

1.1 Apologies for lateness was submitted on behalf of Councillor Brian Bell.

**2. Declarations of interest**

2.1 There were no declarations of interest.

**3. Minutes of the Previous Meeting**

**RESOLVED:**

To agree the minutes of the previous meeting as a correct record.

**4. Chief Executive Risk Register**

4.1 Tim Shields introduced the report advising the Committee of the key risks facing the Chief Executive's Directorate in 2020/21 and the actions being taken to reduce the likelihood of and impact of those risks.

4.2 Tim Shields told the Committee of the Council's departmental re-structures with the expansion of the Chief Executive's Department. This was not reflected in the Risk Register and this would require review. Human Resources was currently a risk, however, not all systems had been affected by the Cyber attack, with recruitment and payment of staff salaries continuing as previously. Inclusive leadership remained a risk. Legal Services was also a high risk area of the Council's activities, with a recent restructure. Tim Shields told the Committee that the Governance Team was currently undertaking work on the moderation of the Council's constitution.

4.3 Councillor Michelle Gregory asked if the areas of communications and engagement should be shown as a red risk, together with LTNs. Tim Shields told the Committee that communication continued during the Pandemic through the local press and 'Hackney Life' and leaflet drops to convey messages to the community. The Council had also been active in supporting General Practitioners and the Clinical Commissioning Group on effective messaging. Tim Shields told the Committee that LTNs were currently a high profile issue and a risk and that the register would be updated to reflect this.

4.4 Councillor Clare Potter asked if there had been any other changes to risk in other areas of the Council's activities. Tim Shields highlighted the Pandemic's impact on services as a high risk area.

4.5 The Chair referred to the impact of COVID-19 on employment and the associated high risk in the third wave of the Pandemic and asked about the voluntary sector's capacity to respond to the demands in the longer term. He referred to Local Government's response to the Pandemic as exemplary. Tim Shields told the Committee of the work of the 'ways back into the work team' and the Council's extensive apprenticeship schemes and that the number of referrals had increased. He told the Committee that the Council had worked effectively with the voluntary sector during the Pandemic and provided funding, with good results arising from this collaboration. He referred to a possible need for an increase in funding or a re-direction of resources.

4.6 The Chair referred to high numbers of red risks in the areas of child safeguarding board issues, temporary accommodation, universal credit and unregistered schools. Tim Shields told the Committee that in relation to safeguarding and following an Ofsted report, an action plan had been put in place to address the recommendations and that this continued to be reviewed by Anne Canning and himself. The Pandemic had impacted on the implementation of some

recommendations. Ian Williams told the Committee that Universal Credit cases had increased to 32,000. It was considered that the Council was in a position to cope with the current pressures.

4.7 Councillor Harvey Odze asked about eviction predictions and the fact that some tenants had accumulated rent arrears. Ian Williams confirmed that these risks formed part of the Finance and Resources Risk Register.

4.8 The Committee noted that Tim Shields would be retiring in May and thanked him for all this good work and leadership at Hackney Council and wished him well in his retirement.

### **RESOLVED:**

To note the contents of the report and the Chief Executive's Directorate Risk Register at appendix 1 to the report.

## **5. Neighbourhood and Housing Risk Register**

5.1 Ajman Ali introduced the report advising the Committee on the current Risk Register for the Neighbourhoods and Housing Directorate as at January 2021. The report also identified how risks within the Council are identified and managed throughout the financial year and the approach taken to embedding risk management.

5.2 Ajman Ali reported that the Pandemic had had a significant impact on the services provided, with losses to Council's income streams. It was hoped to recoup lost income. He referred the Committee to the following risks: - staff retention, impact on performance, the capital programme, ICT, budget and the pandemic.

5.3 Councillor Michelle Gregory asked about next year's increases in rent in the Borough and the impact on those on low income. Ajman Ali confirmed that the Council's rent levels were among the lowest in London and were in line with Government policy on rent setting. Ajman Ali told the Committee that the Council was not taking action in relation to evictions with work ongoing to support tenants to pay their rent.

5.4 Councillor Anna Lynch thanked the Council's housing team for their work during the Pandemic.

5.5 Councillor Patrick Spence referred to the fact that rent arrears was a significant risk and stressed the need to 'pressure down' on these

arrears and to be robust in securing rents where tenants were in a position to pay.

5.6 Deirdre Worrell confirmed that resources had been set aside for rent arrears.

5.7 Councillor Clare Potter asked for an update on Council staff morale during the Pandemic. Ajman Ali confirmed that staff morale was seen as a priority, with staff being properly supported. He reported that sickness levels were consistent with previous levels, despite the effect of the pandemic. Additional dependency leave of up to 30 days had been made available for those with responsibility at home for young children, for example. With the exception of the civil enforcement staff, where some vacancies had to be filled, staff retention was at a good level.

5.8 The Chair stressed the importance of closely monitoring the Council's Capital estimates in the light of the conclusions of the Capital Deep Dive.

#### **RESOLVED:**

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

## **6. Finance Update**

6.1 Ian Williams updated the Committee on the Council's current financial position, highlighting the following:

- A gap of 2,975m on the general fund - the figures were subject to change in the third national lockdown
- Britannia and City and Hackney Projects were progressing as planned with staff testing ongoing
- Post Spending Review and LGPFS - revised budget gap of 15m with work ongoing to close the gap
- In relation to the Budget Scrutiny process a meeting had been held on 8th December with detailed proposals from lead members and Directors.
- Government had outlined that Councils would be able to increase Council Tax by 4.99%
- Delivery of extra support to residents on CTRS with indicative allocation of 3.4m, with work ongoing to progress
- Details of the budget timeline for 2022/23

6.2 The Chair stated that the report was reassuring in that the basic trajectory was on track and stressed the need for this overview of the budget to continue. There would be a meeting with Councillor Rennison to discuss how to effectively take this financial overview forward.

## **7. Corporate Risk Register**

7.1 Matthew Powell introduced the report advising the Committee on the current Corporate Risk Register of the Council as at January 2021. The report also identified how risks within the Council are identified and managed throughout the financial year and the approach taken to embedding risk management.

7.2 Matthew Powell told the Committee that the risk register had been signed off by the Senior Management Team in December 2020. He reported that the risk in relation to Brexit had reduced as a result of a deal being reached. The Cyber attack on the Council's IT system and the recent publication of some data had had a big impact on service provision with increased risk.

7.3 The Chair referred the Committee to risks around ICT, Capital risk and SEND spending and Unregistered schools with bad performance levels.

7.4 Ian Williams told the Committee that a 'one approach to the Council's debt' had been set up. Work would be undertaken to buy back Right to Buy properties to expand the Council's housing provision capacity.

7.5 Ian Williams reported on difficulties in providing up to date data on Council performance, with many gaps in this data as a result of the Cyber attack. Data to September 2020 was available and this could be shared. Up to date data on performance would be provided when this became available. Ajman Ali told the Committee that the Council had endeavored to continue with repairs work but that it had become necessary to reduce this work to urgent repairs. Gas Safety inspections and voids performance could be monitored and mechanisms were being developed in relation to rent arrears and ASBs. Data on community safety was not currently up to date.

7.6 The Chair asked that the Committee be circulated with any up to date performance data of Council services.

**Action: Bruce Devile**

**RESOLVED:**

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

**8. Capital Deep Dive**

8.1 Jackie Moylan introduced the report into the deep dive review of the capital budget setting and monitoring process. The review was carried out during October and November 2020, reporting to two deep dive workshops led by the Chair of the Audit Committee. The report summarised the work undertaken. Jackie Moylan emphasised the need for a more corporate approach to capital projects with a robust training programme to ensure that project leads are aware of the expectations. Deirdre Worrell confirmed that the larger departments had their own capital projects delivery teams and that the Capital Management Review would consider what projects would remain in departments. It was anticipated that larger projects would be managed corporately.

8.2 The Chair reported that the session with departmental leads on capital budget was very helpful as part of the deep dive process, recognising the need to make commitments during the current uncertain time. The Chair asked that a report back on Capital projects targets be made to the next meeting of the Committee.

**Action: Jackie Moylan**

**RESOLVED:**

To note the Capital Deep Dive Update

**9. Treasury Management Update**

9.1 Pradeep Wadden introduced the report covering both the half year treasury activity report for 2020/21 - the detailed update on the treasury activity for the first six month of the financial year and the Q3 treasury activity update for the period October 2020 to December 2020. Pradeep Waddon confirmed that investment levels had been maintained. In response to the Chair he confirmed that there had been no rationale to change the Treasury Investment Strategy and that if changes were to be made in the future, these changes would be communicated to the Committee. He confirmed that the PWLB was no longer available to Councils to borrow from if Councils capital

plans have an element related to “investment assets primarily for yield”.

9.2 The Chair stressed the increased importance of monitoring treasury management, given the current uncertainties in the financial markets and the reduction in the yield from interest rates, together with the Council’s investment exposure in the coming years, largely driven by housing, with an increase in expenditure from 100m to 130m, exposing the Council to increased risk.

**RESOLVED:**

To note the treasury management activity reports at appendices 1 and 2.

**10. Review of Treasury Management Strategy 2019/20**

10.1 Pradeep Waddon introduced the draft Treasury Management Strategy for 2021/22 for the Audit Committee, setting out the expected treasury operations for the 2021/22 financial year, ahead of it being submitted to Cabinet and Council as part of the annual budget setting process.

10.2 Councillor Michelle Gregory asked about possible future investment in Crypto. Pradeep Waddon confirmed that there would not be investment in this area with a current emphasis on investment safety and this was not part of Treasury Management Strategy.

**RESOLVED:**

To approve the draft Treasury Management Strategy 2021/22 to 2023/24 for submission to Council, subject to Capital programme that is being finalised ahead of budget setting, with delegated powers to the Group Director of Finance and Resources to approve the final Treasury Management Strategy for submission to Council.

**11. Audit and Anti-Fraud Quarterly Progress Report**

11.1 Tracy Barnett introduced the report on the performance of the Audit and Anti-Fraud Service, the areas of work undertaken, and information on current developments in Internal Audit and Anti-Fraud, in addition to statistical information about the work of the investigation teams.



11.2 Tracy Barnett told the Committee that as a result of the Cyber attack, data was not currently available on performance for a number of targets. From April to October 2020, all auditors and most investigators had been redeployed, impacting on the work of the section. The Plan had been revised in October 2020 in light of reduced time and the availability of service managers. The number of reviews had been reduced to 38. There had originally been 5 IT audits planned with 2 of these being deferred and the remaining 3 to progress. School audits had reduced by 3 as there were no requirements for an audit in these schools at the present time. Of the 33 remaining, 19 of these had started, with progress being dependent on data availability.

11.3 The Chair stressed the need to continue to champion the continuance of audit as a function. He referred to the associated risks at present and an increase in complaints, those taking advantage of the current situation and the added complication of increased working away from the office.

11.4 Tracy Barnett told the Committee that on the request of Hackney Education and in light of a number of schools applying for DoE grant, certification had been requested and carried out free of charge on the proviso that the monies saved was reinvested in the education of children disadvantaged as a result of lockdown.

11.5 Michael Sheffield told the Committee of the extra benefit added by the auditors in situations where processes and systems are being redesigned, particularly after the Cyber attack. Auditors were assisting managers in several areas to help the Council to build back properly. With regard to counter-fraud work, the impacts of COVID-19 and the cyber attack had required a revised focus to enquiries. Teams were being increasingly proactive as opposed to being reactive, picking up information from the National Fraud Initiative and different fraud elements being looked at, particularly relating to COVID-19 grant distribution. Some information required was not currently available, making it more difficult to carry out inquiries.

11.6 Michael Sheffield told the Committee that there had recently been instances where results of investigations had been passed to the service area but that these could not be confirmed as definitive outcomes yet because of the impact of the cyber attack on reporting systems.

11.7 Michael Sheffield reported that:



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- Overall reactive work coming into the team had almost halved in comparison to the previous years, primarily driven by a decrease in tenancy and parking referrals. Other referrals remained broadly comparable with previous years
- Miscellaneous fraud enquiries were significantly reduced, largely due to a decrease in inquires from the the DWP
- In relation to the National Fraud Initiative there had been a large increase in the number of matches reviewed compared to previously, in particular in relation to the Housing waiting list
- There had been increased activity in relation to the Council Tax Reduction Scheme
- There had been proactive investigation reviews of 937 COVID-19 grants
- In relation to the 'No Recourse to Public Funds' investigations, 3 cancellations had been confirmed for the reporting period but other cases were not yet recorded on systems due to the cyber attack, but the results of this work was likely to be broadly in line with previous periods. Any additional outcomes would be reported in future progress reports
- COVID-19 business grants were a new area of work arising from the Pandemic. Each grant that was prevented from being paid amounted to a value of at least 10,000. In the previous week at least 100 applications had been reviewed
- Numbers of Blue Badge investigations were significantly reduced compared to previous years, but outcomes from those cases that were investigated were, in most cases, comparable to previous results
- Tenancy outcomes were much reduced with 2 in the last quarter, as it was not possible to enter properties
- Much resources were being allocated to work on housing applications, flagged through the National Fraud Initiative with large increases and a significant number pending review by the waiting list team

11.8 Councillor Lynch expressed concern at the high levels of fraud and those taking advantage of the current Pandemic.

11.9 Michael Sheffield clarified that cancellations on the waiting list could occur for a number of reasons, such as individuals misrepresenting themselves to the Borough or alternatively moving away and simply failing to cancel an old application. When looking at recourse to public funds it was necessary to consider carefully the circumstances of a client group.

**RESOLVED:**

To note the progress and performance of the Audit & Anti-Fraud Service to 31 December 2021.

**12. Review of Audit Committee's Terms of Reference**

12.1 Andrew Spragg introduced the report, stating that the Council was undertaking a phased review of its constitution. The current focus of this activity was on Committee's terms of reference. The Committee was asked to review its terms of reference alongside the best practice guidance issued by the Chartered Institute for Public Finance Accountants

12.1 The Chair stated that, currently, the Council's constitution stated that the Audit Committee reported to the Corporate Committee and that this required to be changed, to be in line with CIPFA guidance that made clear that the Committee was a Committee of Council with an obligation to report to Council. Councillor Michelle Gregory asked for clarification on the requirement to work with the Council's Standards Committee. Andrew Spragg confirmed that there was a need for some collaborative working between these Committees on common issues, whilst avoiding duplication. The Chair added that the Audit Committee signed off the governance statement with the Standards Committee having an input into this, necessitating overlap.

**RESOLVED:**

To endorse the proposed changes to its terms of reference

**13. 2019/20 External Audit Update - Verbal**

13.1 Ian Williams told the Committee that the auditors had not yet signed off the Council's accounts. Lucy Nutley confirmed that further work on the accounts was still required and that this work was ongoing to resolve current issues, including on Value for Money. The IT Audit team was aware of the current circumstances. Ian Williams asked that the sign off of Hackney's accounts be prioritised. The Chair expressed disappointment that the accounts had not yet been signed off and asked to be provided with estimated timescales for this sign off of the accounts. Councillor Odze expressed disappointment that the accounts had not been signed of and asked that the matter be prioritised.

**14. Work Programme**

**- RESOLVED:**

To note the work programme.

**15. Any other business that the Chair considered urgent**

15.1 There was no urgent business

**Duration of the meeting - 6.30 to 8.25pm**