

THE MEETING WAS HELD REMOTELY AND WAS LIVE STREAMED

MINUTES OF THE AUDIT COMMITTEE

WEDNESDAY 21 APRIL 2021

Present: Councillors:

**Councillor Nick Sharman in the Chair,
Councillor Brian Bell, Councillor Clare Potter
Councillor Patrick Spence,
Councillor Harvey Odze, Councillor Anna Lynch**

**Councillor Gilbert Smyth and Councillor Robert
Chapman were also present**

Officers:

**Ian Williams (Group Director, Finance and
Resources)
Anne Canning (Group Director, Children and
Education),
Helen Woodland (Group Director, Adults, Health
and Integration)
Jackie Moylan (Director of Financial
Management),
Dawn Carter-McDonald (Director of Legal and
Governance Services)
Michael Sheffield (Head of Audit and
Investigations)
Pradeep Waddon (Head of Treasury and
Banking)
Bruce Devile (Head of Business Intelligence,
Elections and Member Services)
Tracy Barnett (Head of Internal Audit and
Corporate Risk)
Matthew Powell (Corporate Risk Adviser)**

Lucy Nutley, Mazars

1. Apologies for absence

1.1 Apologies for lateness were submitted on behalf of Councillor Michelle Gregory

2. Declarations of interest

2.1 Councillor Anna Lynch declared that she was an employee of NHS England.

3. Minutes of the Previous Meeting

RESOLVED:

To agree the minutes of the previous meeting on 13 January 2021 as a correct record.

4. Finance Update - Presentation

4.1 Ian William provided the Committee with a financial update:

- Forecast general fund financial position 2020/21 - remaining shortfall - COVID-19 related - £1.533m/ Non COVID-19 related - £3.653m
- 2020/21 Housing Revenue Account position - impact of the Pandemic - £6m
- Update on London wide - financial impact for 2020/21 of COVID-19 of £2.2bn with estimated additional spend of £1.1bn
- Annual budget 2021/22 - savings delivery of £3.2m with savings delivery to be monitored by the finance directorate
- Medium term financial plan and 2022/23 budget - budget gap of £12.2m/ significant uncertainty regarding future external funding
- 2022/23 Budget - budgetary timetable agreed by Cabinet with savings of £11m in total for 2022/23
- 2019/20 Financial Accounts - audit opinion remained outstanding/ Value For Money opinion open pending work in relation to the cyber attack
- 20/21 Accounts - statutory deadline for accounts extended to 1st August 2021.

4.2 Councillor Robert Chapman stressed the uncertainty regarding future external funding, impacting on the long term implementation of the Council's rolling programmes. COVID-19 had given rise to large financial pressures in relation to replacing lost income sources and increased demand for adult and social service provision. A budgetary timetable had been agreed by Cabinet and the relevant Councillors and Officers would develop savings proposals.

4.3 The Chair stressed the need for the Audit Committee to scrutinise the performance of the 2021/22 budget and the long term financial stability of the Council. The Chair told the Committee of the positive relationship that existed between the audit, scrutiny and the executive functions in relation to the work on the overall financial position of the Council.

4.4 Councillor Clare Potter expressed concern that it was not possible to implement long term rolling programmes in the current financial climate with the requirement for ongoing adjustments to the Council's programmes. Councillor Potter considered that the correct steps were being taken to mitigate the financial impacts of COVID-19.

4.5 Councillor Gilbert Smyth asked for clarification on the details of directorate savings. Ian Williams told the Committee that a £3.2m savings package had been agreed by Cabinet. The Finance team would work with departments to ensure the effective delivery of these savings.

- 4.6 The Chair confirmed that the deadline for completion of the Council's accounts was 5 May 2021 at which time these would be signed off. He asked for any comments on the accounts by this time. He offered a more detailed briefing on this matter if required. The Chair highlighted the threat posed to public accountability as a result of delayed completion of the financial accounts. Work was underway to find a pragmatic way of ensuring the earlier production of these accounts.
- 4.7 Lucy Nutley told the Committee that the total change in valuation amounted to approximately £20m. This was considered to be financially material but not substantial. Officers had identified an understatement of fixed assets of £0.4. This would remain unadjusted.

5. Performance Review Report

- 5.1 Bruce Devile presented the report, providing an updated set of key performance indicators, together with a corporate scorecard summarising the highest risks to the organisation. The report also set out the latest capital programme monitoring update with enhanced analysis of the variances to budget. He told the Committee that gaps existed in the performance figures as a result of the Cyber attack and that, where gaps existed, estimates had been produced. He highlighted the following areas:
- Sickness levels were higher than the target levels but were starting to fall
 - Rent Arrears had increased
 - Increase in the average time for voids relets
 - Increase in the number of Penalty Charge Notices
- 5.2 The Chair referred to the potential pressures on the Housing Revenue Account, an area that would require particular attention over the next period. He asked that the reasons for the current pressures on temporary accommodation be considered together with the resultant financial implications for the Council as part of the Corporate Risk Register report to the Audit Committee in June 2021

Action: Matthew Powell

- 5.3 Bruce Devile reported that temporary accommodation figures had not been updated as yet but work was ongoing on this. Previous trends had demonstrated a rise in these figures and it was considered that the pressures on temporary accommodation would continue.
- 5.4 Councillor Gilbert Smyth asked what the Council's obligations were in relation to the provision of temporary accommodation. Dawn Carter-McDonald told the Committee that the Council had a statutory responsibility to provide temporary accommodation and agreed to circulate a more detailed briefing to members of the Committee on this matter.

Action: Dawn Carte-McDonald

- 5.5 Councillor Potter stressed her concerns around the cyber attack and its impact on service provision and residents.

Wednesday, 21 April 2021

- 5.6 Matthew Powell told the Committee that COVID-19 and the cyber attack remained high risk areas for the Council and that the risk around fire safety remained. It was noted that the Brexit risk had now been removed.
- 5.7 The Chair stressed the need to consider how the Council could be better prepared for any future Pandemic.
- 5.8 Councillor Gilbert Smyth asked for an update in relation to climate risk. Matthew Powell told the Committee that this remained as a risk, impacted by the new Environmental Bill 2021.
- 5.9 Councillor Anna Lynch asked for clarification on the overall plan in relation to the Council's ageing workforce. Ian Williams confirmed that a workforce strategy was in place, but that this needed to be refreshed. Councillor Harvey Odze commented that the ageing workforce may be mitigated by the Council's apprenticeship scheme. He considered the current pressure on temporary accommodation may be impacted by current initiatives to take rough sleepers off the streets.
- 5.10 The Chair asked that risks around climate change and workforce be included in the Corporate Risk report to be submitted to the June meeting of the Committee.

Action: Matthew Powell

RESOLVED:

- To note the performance indicators presented in appendix 1, the risk management scorecard in Appendix 2 and the current capital monitoring updates in Appendix 3.

6. Directorate Risk Register Review - Adults, Health and Integration

- 6.1 Helen Woodland updated the Committee on the current risks for the Adults, Health and Integration Directorate as of April 2021. The report set out how risks within the Directorate were identified and managed throughout the year and the approach taken to embedding risk management.
- 6.2 Helen Woodland highlighted the following risk areas:
- Ongoing pressures on Public Health arising from COVID-19 with no assurance on levels of funding to support this service
 - An increase in demand for Adult and Social Care service provision with the funding settlement not yet agreed
 - Fragility of the care market, facing financial pressures with ongoing sustainability continuing to pose a risk.
- 6.3 Councillor Gilbert Smyth asked for clarification on the reasons for the current financial pressures on the Adults and Social Care. Helen Woodland told the Committee that the financial pressures on care providers, particularly for the older persons care market arose from an increase in costs around infection control in the care of the elderly, Personal Protective Equipment (PPE), and backfills of a number of staff who had to self isolate or had COVID-19. Further,

there were increased voids levels in care homes because individuals had passed away. With fewer people in care homes income was lower.

- 6.4 The Chair referred to the current risks around the vaccine programme, the potential need for booster jabs towards the end of the year and the possibility of new variants. He stressed that there was a need for a clear understanding of the pressures on Council staff resulting from the cyber attack and the lack of background information available to inform decision making on individuals' care. He asked for clarification on what contingency plan was in place if care homes were forced to cease operation. Helen Woodland told the Committee that there were a large number of home care providers in the Borough and the Council was therefore in a good position to source alternative provision. She told the Committee that care homes were at the highest risk of going out of business. There were four care homes in the Borough with which the Council liaised closely, including the commissioning and contracting team, looking at financial stability and accounts with conversations around the levels of fees required, managing negotiation to ensure that they were financially stable. Helen Woodland confirmed that it was considered that stable care provision could be maintained despite the current financial pressures.
- 6.5 Councillor Anna Lynch referred to the red risk around staff retention and asked what mitigation was in place to prevent staff leaving the Council because of the cyber attack. Helen Woodland told the Committee that because of the cyber attack, staff were now having to make professional decisions with inadequate background information available to them. She told the Committee that the Council's ICT Department had now retrieved many background records. Further, staff were currently being closely supported by the management team in order to manage this risk.

RESOLVED:

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

7. Directorate Risk Register - Children and Education

- 7.1 Anne Canning thanked Council staff for their hard work in serving the community during the Pandemic.
- 7.2 Anne Canning updated the Committee on the corporate risks for the Children and Education Directorate as of April 2021.
- 7.3 Anne Canning highlighted the following in relation to Children's Services:
- Impact of COVID-19
 - Recent departmental restructure
 - Cyber attack and the impact on service provision
 - Loss of social care database systems
 - Current financial risk
 - Reduction in front door service users
 - Current increased caution in closing cases
 - Possible future surge of asylum seekers
 - That 'No Recourse to Public Funds' was now more secure with early

- intervention, with effective signposting
- There was positive working with the Police who provided timely information
- A Partnership Board had been established, meeting with partners on a regular basis to consider current risks to young children
- Much work was ongoing in the area of social care, partly triggered by the OFSTED outcome, with increased front door assessment
- Review of early learning was ongoing/ Edge of care body established for young people coming late to services
- A decrease in demand for services due to COVID-19 and significant practice developments in the service
- The resettlement of the transport service was underway.

7.4 Anne Canning highlighted the following in relation to the Education Service:

- Special Educational Needs and Disabilities (SEND) funding continued to be the most significant pressure
- The loss of direct sight of children with schools closing
- A vulnerable children group had been set up to triage the risk to individual children
- Risk posed by unregistered schools and settings
- OFSTED had seen an increase in deaths of very young children at a time when there was a lack of 'wrap around care' available. Current issues had been highlighted with safeguarding and health partners
- There was a surplus of 500 new primary school places in the Borough that would move its way to secondary school places over time, carrying significant financial risk. The problem was exacerbated by central government policy developments, including the opening of free schools with a provision of places that did not relate itself directly to what local authorities were providing. Work was ongoing on a long-term strategy this year around primary school places and what capital estate was needed
- Bad results in schools would reset over time
- The Department for Education was concerned about the impact of the cyber attack in terms of identifying those in need of safeguarding. There was ongoing contact with the regulators to provide reassurance on this
- Staff had been working at significant risk during the Pandemic with support provided by the Council. There had been no significant staffing changes.

7.5 Councillor Gilbert Smyth asked for an update on any return of staff to the office and hybrid working. He highlighted that large numbers of people had left London during the Pandemic. Anne Canning told the Committee that staff were currently comfortable working from home. It was envisaged that there would be hybrid working arrangements in the future with a steady, measured return to work when restrictions were lifted in June of this year. Ian Williams told the Committee that issues around workforce could be dealt with as part of the deep dive into the impact of COVID-19.

7.6 The Chair asked for details around the current danger of harm to young people during the Pandemic. Anne Canning told the Committee that vulnerable children had been less visible during the Pandemic due to schools closing. A Vulnerable Children's Group had been established to triage and maintain

access to these children. The issue had been highlighted with headteachers and safeguarding leads with briefings to staff. It was confirmed that the risk involved could not be measured until schools settled into their normal activity.

- 7.7 The Committee thanked Anne Canning, who was retiring as Group Director, for her contribution to the work of the Scrutiny Commissions and the Audit Committee and of the Council. It also paid tribute to the good work of the Council's staff during the Pandemic.

RESOLVED:

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

8. Treasury Management Activity Report 2020/21

- 8.1 Pradeep Waddon presented the report providing the Committee with an update on treasury management activities over the period January to March 2021, highlighting the following areas:

- At the end of March 2021 investments stood at £70m compared to £122m in January with the reduction in investments mainly because of a high level of BACS which were normally received in the final quarter.
- There had been no major changes in relation to debt, remaining at £77m, most of which was with Public Works Loan Board
- Investments has been maintained between A and A Plus
- The Chartered Institute of Public Finance Accountants (CIPFA) had launched two consultations on proposed changes to the Treasury Management Code and it's Prudential Code, to which the Council had responded within the deadline.

- 8.2 In response to the Chair, Pradeep Waddon reassured the Committee that the basic economic framework within which the Council operated was stable, but that the current environment was unpredictable and interest rates remained low.

RESOLVED:

- To note the contents of the report.

9. Internal Audit Annual Plan 2020/21

- 9.1 Michael Sheffield presented the report asking the Committee to consider and approve the proposed Internal Audit Annual Plan and resources for 2021/2022 as part of its role in overseeing corporate governance. Sources used included risk registers with significant input from service areas where there had been changes to the control environment. Michael Sheffield highlighted the following:

- A number of audits were included in the plan following the cyber attack
- Resource issues existed throughout the year and that where items of work remained valid they had been carried forward to the new year's plan

- The plan includes a review of controls around companies being set up by the Council
- A contingency of 100 days was included in the plan, allowing auditors to be redirected to other work in the event of a further COVID-19 wave
- Resources were available to deal with additional audit work that may be required during the year

RESOLVED:

- To approve the proposed Internal Audit Annual Plan for 2021/2022 and the key performance measures.

10. Audit and Anti-Fraud Quarterly Progress Report

10.1 Michael Sheffield presented 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 investigation teams.

10.2 Michael Sheffield highlighted the following areas:

- Total audit work completed and in progress stood at 86%
- Recommendations arising from audit work together with satisfaction levels with the work was at the target level
- The team previously redeployed had returned to audit work while providing some assistance to the Council's grants team
- In relation to investigations, volumes had decreased in the areas of parking and tenancy and to a lesser degree in the area of 'No Recourse to Public Funds.' Reduced volumes were compensated for by business grants that the team had reviewed and provided assurance on with 31 grants not paid out
- Most outputs were at normal levels with the exception of tenancy fraud
- There had been a number of prosecutions in the last quarter with five of these for blue badge offences for which the maximum sentences were handed down

10.3 The Chair stated that he was reassured that audit and anti-fraud work was being carried out despite the current pressures with the Pandemic.

RESOLVED:

- To note the Audit and Anti-Fraud quarterly progress report.

11. Annual Report of the Audit Committee

11.1 The Chair presented the report summarising the key activities and achievements in 2020/21. It demonstrated how the Committee had fulfilled its role, consistent with the guidance issued by the Public Sector Internal Audit Standards and other statutory requirements. The Chair referred to the fact that there was now a requirement for the Audit Committee to submit its annual report to full Council. The Chair thanked Audit Committee members and the Finance team for their work during the year.

RESOLVED:

- To note the Annual Report of the Audit Committee as set out in appendix 1 to the report.

12. Review of Whistleblowing

12.1 Michael Sheffield presented the report summarising the Council's corporate arrangements for whistleblowing, providing the Committee with an update of the cases received in 2020/21. Michael Sheffield highlighted the following:

- Two reports had been received through the whistleblowing hotline, a reduction on the previous year but roughly in line with preceding years
- The reduction in reports and grievances could have resulted from current working from home arrangements with less sources of friction, together with restructures being put on hold, often a source of grievance
- Two reports had been received by the office team
- The whistleblowing hotline will shortly be under the management of new providers.

RESOLVED:

- To note the contents of the report

13. Capital Deep Dive Review - Follow Up

13.1 The Chair presented the report. The previous Audit Committee meeting in January 2021 had received a report on the capital deep dive review. This was undertaken following concern expressed by the Committee on the accuracy of capital spend forecasting and the implications this could have on the Council's treasury management. The follow-up report updated the Committee on measures agreed in relation to the capital programme. The timing of the review meant that the impact of the measures should take effect in relation to the 2021/2022 financial year and be evidenced in the routine capital reporting through to the Audit Committee. Jackie Moylan told the Committee that the performance of targets could be monitored by the Audit Committee through this routine reporting.

RESOLVED:

- To note the contents of the report

14. Audit Committee Work Plan

RESOLVED:

- To note the work plan

15. Any other business that the Chair considered urgent

14.1 There was no urgent business

Duration of the meeting - 6.30 to 8.25pm