



**DRAFT MINUTES OF THE AUDIT COMMITTEE  
HELD ON  
WEDNESDAY, 5 JANUARY 2022**

**THIS MEETING WAS LIVE STREAMED AND CAN BE VIEWED HERE:  
<https://youtu.be/73eBk0CTIn4>**

- Chair:** In Person: Councillor Nick Sharman
- Councillors in Attendance:** In Person: Councillor Margaret Gordon,  
Councillor Harvey Odze, Councillor Ian Rathbone  
  
Virtually: Councillor Ajay Chauhan, Councillor  
Michelle Gregory, Councillor Anna Lynch,  
Councillor Gilbert Smyth
- Also in attendance:** Councillor Robert Chapman
- Apologies:** Councillor Sophie Conway and Councillor  
Anthony McMahon
- Officers in Attendance:** Ajman Ali (Group Director, Neighbourhoods  
and Housing)  
Dawn Carter-McDonald (Director of Legal and  
Governance Services)  
Bruce Devile (Head of Business Intelligence,  
Elections and Member Services)  
Peter Gray (Governance Services Officer)  
Jackie Moylan (Director of Financial  
Management),  
Rob Miller (Strategic Director - Customers and  
Workspace)  
Michael Sheffield (Head of Audit and  
Investigations)  
Matthew Powell (Corporate Risk Adviser)  
Pradeep Waddon (Head of Treasury and  
Banking)  
Steve Waddington (Strategic Director -  
Housing Services)  
Ian Williams (Group Director, Finance and

## Resources)

**Martin Baird, Stuart Firth and Suresh Patel (Mazars)**

### **1.1 Apologies for Absence**

1.2 Apologies were submitted on behalf of Councillor Sophie Conway and Councillor Anthony McMahon.

### **2. Declarations of Interest - Members to declare as appropriate**

2.1 Councillor Ian Rathbone declared that he was a member of the Council's Pension Scheme.

### **3. Minutes of the Previous Meeting**

#### **RESOLVED:**

- That the minutes of the meeting held on 13 October 2021 be agreed as a true and accurate record of proceedings, subject to the inclusion of Councillor Anna Lynch in apologies.

3.1 The Committee noted the update on the actions from the previous meeting. An update on action 8.6 remained outstanding. The Governance Services Officer indicated that he would seek an update on this matter.

#### **Action: Governance Services Officer**

3.2 Councillor Smyth told the Committee that the Audit Section had confirmed that they would arrange a session for Members of the Committee on how risks are assessed. This was confirmed by the Corporate Head of Audit and Anti-Fraud.

#### **Action: Corporate Head of Audit and Anti-Fraud**

### **4. Finance Presentation Update**

4.1 The Group Director of Finance and Corporate Resources presented the update on the Council's overall financial position, highlighting the following:

- **Improvement in the position of the General Fund Forecast 2021/2022**
- **2020/21 Forecast General Fund Financial Position:**
- The forecast as of the end of October 2021 showed that the Council

- was forecast to have an overspend of £4.5m;
  - COVID-19 and the Cyber attack remained significant drivers at £7m and £6m respectively and were in excess of sums set aside;
  - Risk remained that social care costs will increase before the end of the financial year;
  - Neighbourhoods and Housing were also forecasting a significant overspend of £2.5m of which £1.7m was COVID-19 related;
  - **2021/22 Housing Revenue Account Position**
  - Loss of rental income - £2.4m;
  - £1m loss on repairs by the Direct Labour Organisation in the 1st quarter/ increase in demand for repairs as restrictions are lifted;
  - Loss on non dwelling rental income - £0.2;
  - **2022/23 Housing Revenue Account budget proposals;**
  - Proposed rent increase of 4.1 %
  - Hackney had the 7th lowest rent in London ;
  - **Provisional local government settlement;**
  - Uncertainty beyond 2022/23;
  - One year Settlement for 2022/23 in line with 2021 SR;
  - New one off Services Grant worth 822m for 2022/23 only;
  - **Accounts Update;**
  - **2019/20:**
  - Accounts signed off on 21 October 2021;
  - Work was completed by Mazars on the report into the cyber attack;
  - Positive value for money conclusion reached;
  - **2021/22:**
  - Draft accounts were published;
  - External audit was underway;
  - The aim was to report to the Audit Committee in April 2022;
- 4.2 Councillor Smyth asked how the projected £2m shortfall referred to in the presentation would affect service provision and how any negatives could be mitigated.
- 4.3 The Group Director of Finance and Corporate Resources told the Committee that a provision was in place allowing Councils to carry forward a deficit in relation to SEN. He confirmed that the Council would look to mitigate any deficit arising as far as possible. Further, where possible, the teams are looking at cost reduction measures going forward. .
- 4.4 Councillor Rathbone asked for an update on cost pressures in adult social care. He stressed the need to make representations in this regard.
- 4.5 The Group Director of Finance and Corporate Resources told the Committee that the cost pressures in adult social care continued to rise. This was not met by the additional government grants announced and was covered by the Council's own resources, with savings in other areas of the Council's activities. The importance of funding for adult social care was made clear in the Council's response to the Government's Local Government settlement

statement. Councillor Chapman confirmed that representations would be made to the Government on this matter.

4.6 Councillor Gregory asked for an update on what percentage of the Hardship Fund had been spent. She expressed concern at the ongoing underspend on the fund. She asked for clarification on the recent Government announcement in relation to hardship funding to Local Authorities.

4.7 The Group Director of Finance and Corporate Resources told the Committee that in the financial year 2020/21 the Council had spent approximately £104,000 from the hardship fund, with a spend of £123,000 in the current financial year. It was expected that this expenditure would continue to rise in the future. Work was ongoing with members of Council on how to maximise this expenditure. He clarified that the scheme that had been announced nationally had a particular framework building on current schemes in place for the past 18 months. A cross Council Working Group was working to ensure that monies could be spent on, for example, food vouchers for young people on school holidays. In terms of the Council's own resource the Council was on target to spend between 30 and 40 percent. The re-purpose of the scheme monies was currently being considered to ensure more targeted support. He stressed the need to have the maximum outcome from the resources available. He agreed to provide the Committee with more detailed information on hardship fund expenditure.

**Action: Group Director of Finance and Corporate Resources**

4.8 Councillor Odze asked for clarification on the proportion of the additional £600m Government funding for Council's hardship funds that would be allocated to Hackney Council and how these monies would be spent. The Group Director of Finance and Corporate Resources agreed to consider this matter and circulate relevant information to the Committee.

**Action: The Group Director of Finance and Corporate Resources**

## **5. Performance Report**

5.1 The Head of Business Intelligence, Elections and Members Services introduced the report providing an updated set of key performance indicators, together with an update on risk management with a Corporate Scorecard and accompanying commentary on the Council's risk approach. The report also set out the latest capital programme monitoring data and, as was requested at the previous Audit Committee meeting, an additional analysis of forecast spend on the original and revised budgets. He told the Committee that there had been little change since the previous quarter. He highlighted the following:

- High staff sickness;
- High levels of rent arrears;

- Improvement on voids but levels remained high;
- Slight reduction in numbers in temporary accommodation;
- Increased levels of recycling;

- 5.2 The Chair expressed concern at the increase in rent arrears, debt and levels of sickness, particularly in light of the impact of Omicron on Council's services.
- 5.3 Councillor Odze asked for the separation of sickness figures directly as a result of COVID-19 and those due to other reasons
- 5.4 The Group Director of Finance and Corporate Resources reported that the changes in the 12 month rolling average had been previously circulated. At the end of November 2019 the rolling average was 9.1 days and at the end of November 2021 the average was 10.9 days. Hackney Management Team would be taking action to address the increase in sickness levels. Analysis would be carried out to distinguish how much of the sickness levels related to COVID-19 with consideration being given to other categories of sickness. It was noted that terminal illnesses also had an impact on sickness figures. Ian Williams agreed to provide an update to the April Committee meeting on this matter

**Action: Group Director of Finance and Corporate Resources**

- 5.5 Councillor Lynch stated that within the National Health Service, temporary amendments had been made to some national and local sickness policies in the light of COVID-19. She expressed concern that the Council did not have a workforce strategy and that there was a need to consider weaknesses in the workforce. She asked if the Council was performance-managing staff with COVID-19 related illnesses and whether they were treated as a separate staff group.
- 5.6 The Group Director of Finance and Corporate Resources reported that the Council had introduced flexibilities in light of COVID-19, with changes of approach to absence management, dependency leave, and a range of other factors. Details of these changes would be circulated to members with the update referred to in paragraph 5.5.

**Action: Group Director of Finance and Corporate Resources**

- 5.7 Councillor Smyth asked if information on recycling had been circulated as requested by the previous meeting. Bruce Devile agreed to investigate this.

**Action: Head of Business Intelligence, Elections and Member Services**

- 5.8 The Director of Financial Management introduced the report on capital expenditure. £170m spend was forecast against the original estimate in February 2021 of £236m. The main drivers centred around housing schemes,

housing regeneration supply and mixed use schemes. It was confirmed that COVID-19 impacted on slippage in capital schemes. Given that tender prices had increased in estate regeneration and housing supply, it would be necessary to ensure that these schemes were now viable to take forward. The Chair confirmed that the variance in expenditure was approximately 25 percent and expressed the hope that there would not be any significant slippage in capital schemes in the last two quarters. He acknowledged the impact on COVID-19 and the Cyber attack. He asked for reassurance that the additional controls on capital estimations were having a positive impact. He stressed that expenditure on capital was a key part of the Council's performance, together with a key risk area in terms of services and the financial position of the Council.

- 5.9 The Director of Financial Management told the Committee that there were variations in regard to the impact of the controls in place. It was expected that the Capital Programme for 2022/23 would be set at a more realistic level taking into account slippage and what could realistically be delivered during that period.
- 5.10 Councillor Smyth stated that the report outlined that the Council was moving from a debt free position to an external borrowing position and that borrowing was forecast to increase over the coming years as plans come forward on the next phases of the Britannia Scheme and the Council's regeneration programme. He asked for clarification on the levels of borrowing.
- 5.11 The Director of Financial Management told the Committee that the Council had a large capital programme including an element of forward funding schemes such as for Social Housing and the Britannia Leisure Centre. There would be a need to borrow to forward fund schemes. Ultimately, the schemes would be funded primarily by the sale of private units. Work was currently being undertaken into the scale of borrowing for the 2022/23 budget report. It was not anticipated that there would be a significant increase in the level of borrowing in the next financial year. Ian Williams confirmed that borrowing levels also depended on the Council's capital ambitions. Some of the schemes were funded by sales but if schemes were not coming forward that contained properties for sale, schemes would need to be financed through rent income. He reported that this would not reach the high cost of building properties.

**RESOLVED:**

- To note the performance indicators presented in Appendix 1, the Risk Management Scorecard in Appendix 2 and the current capital monitoring update in Appendix 3.

## 6. Treasury Management Update

- 6.1 The Head of Treasury and Banking introduced the report outlining the half year treasury activity for 2021/22 together with the Q3 treasury activity update for the period. He confirmed that there had been no significant change since the last meeting.

### **RESOLVED:**

- To note the report

## 7. Review of the Treasury Management Strategy - 2022/23

- 7.1 The Head of Treasury and Banking introduced the draft Treasury Management Strategy for 2022/23, setting out the expected treasury operations for the 2022/23 financial year, prior to submission to Cabinet and Council for adoption as part of the annual budget setting process.
- 7.2 The Head of Treasury and Financial Management told the Committee that following a number of meetings with the Council's treasury advisers, it was concluded that there would not be a need to change the Council's investment strategy. He confirmed that the investment levels had not changed significantly from the previous year.
- 7.3 The Chair referred to the increase in the gross capital financing requirement from £450m to £740m for the coming years and stressed the importance of how this was financed, in particular because of uncertain markets. He stated that financial difficulties in a number of Councils had their origins in capital spending and over-exposure to investments. He stated that as Public Works Loan Board monies became more expensive it may be necessary to consider more diverse sources of funding, particularly the issuing of bonds. He commended the current prudent approach of the Council in regard to investment. He stressed that the Council would be exposed to increased risk in this area in the coming years.
- 7.4 Councillor Smyth stated that there was a need for training and guidance in the area of treasury management and its scrutiny.
- 7.5 The Group Director of Finance and Corporate Resources confirmed that he would arrange this training in the new administration.

### **Action: Group Director of Finance and and Corporate Resources**

- 7.6 Councillor Gordon asked for further information on the Council's investment strategy and how decisions are made in relation to the investment portfolio, how investments are chosen and how this is consistent with the Council's broader strategies, in particular in relation to divesting from fossil fuels and ethical investment generally. She stated that the net zero strategy crossed all



the activities of the Council and asked what the intersection was in relation to the investment strategy.

- 7.7 The Group Director of Finance and Corporate Resources confirmed that the investments were in line with the treasury management strategy. The treasury management report set out the establishments, such as banks with which the Council invested cash sums which were similar to those invested in as part of the Pension Fund. Amounts invested in each establishment were limited to reduce any risk. Pradeep Waddon told the Committee that the Council worked closely with its advisers in choosing where to invest, the limits to be put in place and ratings. Ian Williams confirmed that these matters could form part of the training session with members.
- 7.8 Councillor Gregory asked whether the politics of organisations invested in were challenged. She stated that ethical funds were currently performing better than mainstream funds.
- 7.9 The Group Director of Finance and Corporate Resources stressed that it was necessary not to conflate day to day management of cash balances with long term investments and that the investment referred to was short term where liquidity was the principal purpose.

**RESOLVED:**

- To approve the draft Treasury Management Strategy - 2022/23 to 2024/25 for submission to Council, subject to the Capital programme that was being finalised ahead of budget setting;
- That powers be delegated to the Group Director of Finance and Resources to approve the final Treasury Management Strategy for submission to Council.

**8. Update on the Housing Revenue Account**

- 8.1 The Strategic Director of Housing presented to the Committee, highlighting the following:
- The backlog of reactive repairs was approximately 7000 jobs;
  - An action plan had been implemented to improve service delivery;
  - Additional repairs staff had had been approved;
  - A new mobile repairs app had been introduced;
  - Plans to treat all reports of leaks as high priority, with a 24hr callout;
  - A review of those properties that generate disproportionate numbers of repairs;
  - Repairs performance at Quarter 2;
  - Tenants ratings had increased at the end of November to 57 %;
  - Voids Performance - turnaround time has reduced to 93 days as at the end of November 2021;



- Re-established use of the manage arrears tool/ A tool called rentsense to be introduced;
- In regard to rent arrears, work was ongoing with benefits and housing needs, recognising the priorities that had been put in place - impact was being tracked;
- No new tenants since August 2021 had their benefits assessed with initiatives put in place to track impact;
- **Housing Revenue Account Budget:**
- Current rent arrears - £14.8m;
- Approximately £2m - £2.5m outstanding benefit;
- The Housing Revenue Account was projecting a balanced budget for 2021/22;
- Savings of £2m have been identified for 2022/23 which will be presented to Cabinet later in the month;
- Housing Revenue Account reserves stand at £11.4 m;
- £2.5m bad debt provision was built into the annual budget profiles.

8.2 The Chair asked that the presentation be circulated to members of the Committee and that such presentations be circulated prior to the meeting in the future.

**Action: Strategic Director of Housing/ Governance Officer**

8.3 Councillor Gregory asked how many tenants will not be able to pay off their arrears or pay their rent and what impact this will have for these tenants in being able to keep up to date with payments. She referred to the high bad debt provision of £5m and asked what the purpose of the provision was.

8.4 The Strategic Director of Housing confirmed that the proposed rent increase was 4.1 percent. 60 percent of Council tenants were in receipt of housing benefits or universal credit. He confirmed that housing benefit increases will reflect any rent increase. The Council recognised that many people in the Borough were in financial difficulty. The Council's Sustainment and Financial Inclusion teams worked alongside recovery staff to support residents to ensure that they are managing as effectively as possible, offering support on debt. Steve Waddington confirmed that the bad debt provision related to the write off of bad debt when it was not economical to pursue this debt.

8.5 Councillor Smyth asked the following questions:

- If there was a completion date for the outstanding 7000 repairs?
- Could members have access to their specific cases through the Mobile app?
- How much did the 8292 in arrears in the 0-1000 band amount to?
- How did COVID-19 impact on their's housing strategy?

8.6 The Strategic Director of Housing confirmed that 70000 repairs were carried out each year. The 7000 repairs referred to were over and above work in

progress with some of these repairs being outstanding for 3-4 months. He considered that it was critical to reduce the number of outstanding repairs. The rollout of the mobile apps was for the use of operatives in the allocation of work for any follow-on repairs. In the longer term it was proposed to have an online repairs reporting tool, allowing residents to order a repair and book an appointment. He stated that it may be possible to create access for members. The total amount relating to the 8292 in arrears amounted to £2.6m.

- 8.7 Councillor Gordon referred to the good progress in relation to voids turnaround. She said that significant delay remained, impacting on the rehousing of families and individuals. She referred to the delays in the allocation of housing benefit. She asked when the service would be in an improved position and what other measures could be used to ensure improvement. She asked if it would be necessary to make additional savings in the following year.
- 8.8 The Strategic Director of Housing confirmed the challenges around voids turnaround with loss of income and families not having the opportunity to be rehoused. He considered that in the coming year progress would have been made to a position where the Council had been before the Pandemic. Rent arrears were expected to be in an improving position. He confirmed that savings proposals would be included in the budget report to Cabinet in the current month, facilitating a balanced budget for 2022/23. A fundamental review of the Housing Revenue Account business plan would be carried out in the following year. There would be a need to implement ongoing efficiency savings, recognising upcoming pressures. He confirmed that there were significant increases in materials and contractor costs. In the longer term the Council's aspirations to move to carbon net zero with significant costs attached would have an impact on the Housing Revenue Account.
- 8.9 Councillor Odze referred to the fact that the energy cap was going to increase by approximately 51 percent in April 2022, impacting those with low budgets in paying their rent with a consequent impact on the Housing Revenue Account.
- 8.10 The Chair referred to the pressures and risks to the Housing Revenue Account in relation to long term capital reductions with an increase in the repairs budget in the long term. He referred to associated pressure on incomes and therefore on rent repayments. Further, the Housing Revenue Account was ringfenced. He stressed the need to closely monitor how the Housing Revenue Account is managed.
- 8.11 Deirdre Worrell reported to the Committee on the sustainability of the Housing Revenue Account and increasing rent arrears and pressure on tenants to pay rents. She said that as part of the setting of the budget for the current and previous years, careful consideration had been given to the contribution to the provision of bad debt. She confirmed that there was a healthy provision

for bad debt and £2.5m had been built in to cater for any rent increases. However, it was expected that the level of increase in rent arrears will plateau and reduce over time. In terms of financial sustainability, a sufficient budget existed to manage that risk. Rent arrears levels and collection rates were continually monitored on a weekly basis and the bad debt provision would be fully assessed. The Financial Inclusion Team supported families in financial difficulty in paying rents. She confirmed that the Pandemic had an impact in relation to the ability to pay rent.

8.12 Councillor Rathbone asked for an update to be circulated on the following:

- The current use of algorithms;
- How the Council was assisting individuals in coping with arrears;
- How much the percentage of arrears was to the entire budget;
- What measures were in place in relation to the increase in energy costs.

**Action: Strategic Director of Housing**

## **9. Directorate Risk Register - Neighbourhoods and Housing**

9.1 The Group Director of Neighbourhoods and Housing introduced the report updating the Committee on the current Risk Register for the Neighbourhoods and Housing Directorate as at December 2021. The report identified how risks within the directorate are identified and managed throughout the financial year together with the Council's approach to embedding risk management.

9.2 The Group Director Director of Housing and Neighbourhoods highlighted the following:

- 13 risks with 1 additional risk relating to the repairs backlog;
- Repairs backlog to be addressed over the coming months;
- Impact of the Pandemic on neighbourhoods and housing in terms of service delivery and impact on income and costs;
- The Housing Revenue Account had not received Government funding to deal with budget pressures;
- Customer satisfaction was consequently a further risk area if services are not provided as expected;
- The Cyber attack has had a large impact on services, particularly, planning, business and regulatory services and housing services;
- Work was ongoing with ICT to develop new systems;
- Delivery of the capital programme had been impacted;
- Many mitigations were in place;
- Support was provided to residents but if residents did not engage it was necessary to robustly pursue arrears.

- 9.3 Councillor Odze stated that there was a need for a risk category in relation to the likelihood of an increase in the level of rent arrears and that this was not specifically referred to in the risk register. He reiterated the difficulties around the increase in energy costs and individuals' ability to make payments. Ajman Ali confirmed that provisions had been made in this regard. He considered that when the IT systems were in place the current performance trajectory would be reversed.
- 9.4 The Group Director of Finance and Corporate Resources confirmed the difficulties around energy price increases and other inflationary pressures. These factors were recognised by the Council's finance team in assessing assumptions and modelling going forward in addition to how hardship schemes can be dispensed. However, there were limits to what the Council could undertake in these circumstances.
- 9.5 The Chair stressed the need to closely monitor housing debt and repairs to reassure that there were financial strategies by which the Council could mitigate the current risks in these areas.
- 9.6 Councillor Smyth considered that there was Council commitment to addressing the climate emergency and that this was not reflected in the narrative of the report. He referred to the need to factor in the recent environmental bill into projections. He asked for an update on the Council's response to the flooding in the Homerton area through rainfall.
- 9.7 The Group Director of Neighbourhoods and Housing stated that the delivery of the climate change agenda would be a corporate approach. He undertook to amend the wording of the text in relation to commitment to climate change action.

**Action: Group Director, Neighbourhoods and Housing**

- 9.8 The Group Director of Neighbourhoods and Housing referred to the high costs of retrofitting of all stock. However, there was a London-wide action plan in this regard. Existing capital investment could be considered to ensure there is a fabric-first approach with research ongoing on how to deal most appropriately with the issue. The Council was looking to identify pilots in the borough over the next year to ascertain the most appropriate approach to take to address this issue. The Group Director confirmed that work was ongoing on how the Council could better manage and mitigate rainfall flooding in the Borough.

**RESOLVED:**

- To note the report and the risk register and controls in place.

**10. Corporate Risk Register**

- 10.1 Matthew Powell introduced the report updating the Committee on the current Corporate Risk Register as at January 2022. The report also outlined how risks within the Council are identified and managed throughout the financial year and the Council's approach to embedding risk management.
- 10.2 The Council's Risk Advisor highlighted the following:
- Dominant themes remained broadly the same as when the risk register was reviewed in October 2021;
  - Ongoing impact of the Pandemic and Cyber attack with compounding effects on other risks, impacting on service delivery;
  - No significant changes in scores since October 2021;
  - Reduction in the risk in relation to the pensions fund and poor membership data;
  - The housing repairs risk was likely to be escalated.
- 10.3 The Chair asked that the current framework emerging in relation to the preparation of risk registers be followed in all risk reports with a common approach to how risks are assessed and set out. He considered that the pressures on the workforce were underestimated in light of the Omicron outbreak
- 10.4 The Group Director of Finance and Corporate Resources told the Committee that workforce was continuously monitored and that while there was an increase in numbers of staff affected by Omicron, Hackney Council was not reporting any of the issues being experienced by other Councils outside London with staff continuing to provide effective services.

## **RESOLVED**

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

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

- 11.1 The Corporate Head of Audit and Anti-Fraud introduced the report outlining the performance of the Audit & Anti-Fraud Service, the areas of work undertaken, and information on current developments in the Internal Audit and Anti-Fraud services, together with statistical information about the work of the investigation teams. He highlighted the following:
- Performance trends continued in the same direction;
  - A number of audits had been postponed because of the Cyber attack and the Pandemic;
  - All staff were available for audit work at present;
  - There was a need to identify key audits in the 2022/23 audit plan;
  - The outcomes from investigations were continuing in a positive direction;

- The standard value used to quantify the fraud loss from subletting activity has increased following benchmarking work with Hackney and multiple other social housing providers. The benchmarking activity resulted in an upshift in the financial value attributed to tenancy fraud from £18,000 to £42,000 per confirmed instance.

11.2 The Chair commended the internal audit service for continuing with delivery during many staffing pressures. He stressed the need to retain audit resources with the audit function in future and referred to the actual negative consequences of moving resources from the service to deal with the Pandemic, notwithstanding the need to be flexible in the earlier stages of the pandemic.

**RESOLVED:**

- To note the progress and performance of the Audit and Anti-Fraud Service to 30 November 2022

**12. External Audit Appointment - 2023/24 - 2027/28**

12.1 Jackie Moylan introduced the report, referring to the recommendation to accept the Public Sector Audit Appointments (PSAA) arrangements. The recommendation would be in the budget report to be submitted to Council in March 2022. It was necessary to delegate to the Group Director, Finance and Corporate Resources to respond to the invitation and take the necessary steps to finalise the appointment itself following the PSAA procurement process.

**RESOLVED:**

- To note the Officers' recommendation to accept the Public Sector Audit Appointments invitation to 'opt into the sector-led option for the appointment of external auditors for five financial years commencing 1 April 2023 and propose that recommendation to Full Council.
- To note that the Audit Committee's recommendation will be included in the Council's Annual Budget report to Full Council in March 2022;
- To recommend that Council delegate authority to the Group Director of Finance & Corporate Resources to respond to the invitation and take the necessary steps to finalise the appointment itself following the PSAA procurement process;

**13. External Audit Plan Programme - 2020/21**

13.1 Jackie Moylan introduced the report on the 2020/21 Audit Strategy Memorandums from Mazars, the Council's external auditors, in respect of both the Council's Accounts and the Pension Fund Accounts.

- 13.2 The Chair expressed concern at the delayed production of the statement of accounts and the impact on public accountability.
- 13.3 Stuart Firth highlighted that significant risks were identified, in part because of prior issues particularly around valuation of property and equipment, including investment properties. There were particular issues arising from the Cyber attack and the level of estimates and judgements that management have had to apply in preparing the statement of accounts. There were also issues around estimates relating to the Housing Revenue Account as a result of the Cyber attack and impact on the Universal Housing System. He referred the Committee to section 5 of the report, setting out the updated Value for Money requirements for the 2020/21 audit in line with PSAA issued guidance.
- 13.4 Suresh Patel highlighted the following:
- There was now more transparency in relation to audit fees;
  - PSAA had published additional fee ranges and a change in the auditing standard for audited estimates.
- 13.5 The Chair stressed that the fuller value for money estimate was welcome. He asked that the new audit team work to improve on the timetable for the production of the accounts in future and stressed the need for accountability in relation to the production of accounts.

**RESOLVED:**

- To note the report from Mazars, the Council's external auditors.

**14. External Auditors Annual Letter**

- 14.1 The Director of Financial Management introduced the 2019/20 Annual Audit Letter from Mazars, following the completion of the 2019/20 audit. The opinion on the Council's financial statements was given on 21 October 2021. The additional work that was required to be undertaken by Mazars as a result of the Cyber attack, to reach a conclusion on the Council's Value for Money arrangements was now complete and there was no adverse impact.

**RESOLVED**

- To note the report from Mazars.

**15. COVID-19 Recovery Deep Dive**



- 15.1 The Director of Financial Management introduced the final report on the COVID-19 Deep Dive, focusing on the responses to the crisis and what action was being taken in relation to this.
- 15.2 The Chair stated that the report was a summary of the deep dive sessions on the Council's response to COVID-19. The broad conclusion was that the Council had reacted well to the first lockdown and the response had been very encouraging with staff commitment and flexibility. It was necessary to ensure that business planning was now in place to react effectively to future threats in a well planned way. The Committee was reassured that both the business planning for the various services and the overall strategic planning had been improved to reflect this. This had been tested over the recent weeks and was encouraging. There had been helpful discussion in the November workshop where consideration was given to the long-term threats and opportunities. The Chair confirmed that the way in which the Council was planning to work with communities and other organisations and parallel services was very encouraging. There was recognition that there was a need to ensure that Council staff are equipped with appropriate skills for the new forms of working. There was a need to ensure that those plans and support for the workforce and the investment that was needed would be sustained and form part of the Council's corporate planning. The change programmes required strong coordinated leadership and investment. The Chair suggested that this challenge be brought to the attention of the executive. The Chair thanked officers for their helpful feedback during the course of the exercise.

**RESOLVED:**

- To note the report

**16. Audit Committee - Work Programme**

**RESOLVED:**

- To note the Audit Committee Work Plan and that the full dates of meeting be included in the plan.

**17. Any other business that the chairs consider urgent - Housing Issues/ Climate Change**

- 17.1 The Chair stressed the need for an inquiry mechanism over the coming months, monitoring issues around housing, including repairs and the impact of debt and addressing some of the risks around climate change. He asked for a report back on the housing issues outlined. He asked for a review of the climate emergency and the associated risks and the resources that will be required.

**Chair/ Group Director of Finance and Corporate Resources**

17.2 Councillor Odze stressed in relation to Council rents and affordability that there was a need to carry on scrutiny into the following year because of the large increase in energy costs in April 2022. The Chair agreed that the work should be built on and carried forward. Councillor Gregory also expressed her concerns around rents and affordability.

## **18. Exclusion of Press and Public**

### **RESOLVED:**

THAT the press and public be excluded from the proceedings of the Audit Committee during consideration of Exempt Items 19 and 20 on the agenda on the grounds that it is likely, in view of the nature of the business to be transacted, that were members of the public to be present, there would be a disclosure of exempt business as defined in paragraph 7 of Part 1 of schedule 12A of the Local Government Act 1972, as amended.

### **End of non-confidential section of the meeting.**

**Duration of the meeting:** 6:30 - 8:45pm

**Chairperson:** Councillor Nick Sharman

### **Contact:**

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