



London Borough of Hammersmith & Fulham

# Audit, Pensions and Standards Committee Minutes

Wednesday 11 February 2015

## **PRESENT**

**Committee members:** Councillors Michael Adam, PJ Murphy, Iain Cassidy (Chair), Guy Vincent, Adam Connell, Ben Coleman, Nicholas Botterill, Mark Loveday and Donald Johnson

**Officers:** Toni Camp (Adult Social Care, Planning & Service Improvement & Project Manager); Geoff Drake (Senior Audit Manager); Jonathan Hunt (Tri-Borough Director of Pensions & Treasury); Hitesh Jolapara (Bi-Borough Director of Finance); Ullash Karia (Head of Leisure); Moyra McGarvey (Tri-Borough Director of Audit, Fraud, Risk and Insurance); Poonam Patel (Committee Coordinator); Mike Potter (Interim Tri-Borough Director for Adult Social Care Procurement & Business Intelligence); Mahmood Siddiqi (Bi-Borough Director for Transportation & Highways); Ian Ross (Leisure Services Manager); Sherifah Scott (Tri-Borough Head of Procurement and Contracting Adult Social Care); Michael Sloniowski (Bi-Borough Risk manager); Jane West (Executive Director of Finance & Corporate Governance).

## **90. MINUTES OF THE PREVIOUS MEETING**

The minutes of the meeting held on 2<sup>nd</sup> December 2014 were agreed as a correct record and signed by the chair.

## **91. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

## **92. DECLARATIONS OF INTEREST**

Councillor Vincent, declared that he was a School Governor for Woodlane High School.

## **93. RISK MANAGEMENT HIGHLIGHT REPORT**

Michael Sloniowski (Bi-Borough Risk Manager), introduced the report. The first phase in the Risk Management Framework was evidence based and the Tri-borough Corporate Services Risk Register was featured in Appendix 2 of the report. In response to the Committee's query around the applied methodologies for each of the boroughs, Michael Sloniowski confirmed that the H&F framework and approach was more strategically divergent than RBK&C and WCC. The Committee noted that H&F increased the amount of training and awareness to maintain business continuity and Health & Safety.

Michael Sloniowski also confirmed that the Risk Register was based on quarterly reports from departments which enabled all the data to be realistic. All departments and more specifically, the Adult Social Care division took their risk management very seriously. Jane West (Executive Director of Finance and Corporate Governance) assured the Committee that the Risk Management Framework played a serious role in the organisation and that there were a number of Risk Registers actively managed within the organisation. It was noted that the Hammersmith and Fulham Business Board received the high risk registers to review and question, whereas the Cabinet would receive comments on the risks.

The Committee drew the officer's attention to page 27 of the report, as it was felt that reference 11 had not been thought through, as the text had not presented any context. In response Michael Sloniowski, accepted the observation and highlighted that this was a constant challenge in preparing the registers. The Committee noted that they could gain more context if Service Departments attended the Committee meetings and presented their Risk Management arrangements. Additionally, they could also provide the Policy Accountability Committee Chairs their respective risk registers for review.

The Committee discussed at length the purpose and value in receiving the register and that the comparative differences in the commercial and non-commercial industries. The Committee noted that all future H&F registers would include the relevant context to justify the recommendations. The Committee also noted that although the register was prepared under the CIPFA (The Chartered Institute of Public and Accounting) best practice, it could be prepared and presented in a different format. There was also scope for highlighting, explicitly the mitigating factors within the audit remit in the register. In response, Jane West agreed to feedback the Committee's request to the Hammersmith and Fulham Business Board for further discussion.

**ACTION: (Executive Director of Finance and Corporate Governance)**

**RESOLVED –**

THAT the quarterly review of risks faced by the Council be noted subjected to the actions listed in the discussion be met.

**94. ANNUAL GOVERNANCE STATEMENT ACTION PLAN AND OUTSTANDING RECOMMENDATIONS FOR EXTERNAL AUDIT**

Geoff Drake (Senior Audit Manager) introduced the report. The Committee drew the Geoff's attention to pages 71 and 72 in Appendix B of the report and requested a similar presentation be used to report the 'Progress To Date'.

**ACTION: (Senior Audit Manager)**

**RESOLVED –**

THAT the report be noted.

**95. INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 OCTOBER TO 31 DECEMBER 2014**

Geoff Drake (Senior Audit Manager) introduced the report and referred to paragraph 5.1 of the report. It was noted from paragraph 5.1.3.2, that the Home Meal and Frozen Food Delivery Service contract management made 1 high recommendation, not 2, as cited in the report. Appendix C of the report presented a summary of each of the limited assurance reports. Geoff Drake and service managers then took questions from the Committee on the audit reports.

**Cemeteries and Bereavement Service**

The Committee referred to the background report and recalled an unfortunate case in RBK&C. The Committee then sought assurances that the Cemeteries and Bereavement Services delivered in H&F followed stringent procedures to avoid bad practice and service. By combining any ad-hoc lessons learnt from the Bi-Borough arrangement and was integrating them with the specifications of the contracted service. In response, Karia Ullash (Head of Leisure) assured the Committee that all procedures were regularly reviewed to meet the severity and sensitivity of their customers.

The Committee asked if the audit looked at the service departments procedures to prevent such a case occurring for H&F. In response, Geoff Drake referred members to the detailed recommendations in the audit report and advised that the audit could not guarantee that such an event could not occur.

The Committee further questioned the current finance management systems in place to prevent fraud and error, as the report identified that one officer was receiving, recording and banking income. In response, Geoff Drake assured the Committee that this was seen as a weakness which was why the recommendation was raised. The recommendation required introducing segregation of duties and further to introduce reconciliations.

The Committee also raised concerns about the recommendation relating to Health and Safety action plans not being timely acted upon. In particular, electrical checks could have significant implications. Karia Ullash confirmed that the electrical check undertaken on 6<sup>th</sup> February 2014 was in a separate office from the crematorium. The Committee acknowledged from the background report that the KPIs targets were met.

**Melcombe Primary School**

The Committee requested confirmation of the audit assurance provided for the last audit previously undertaken on the School.

**ACTION: (Senior Audit Manager)**

The Committee noted that a copy of the H&F Final Internal Audit Report for the school would be sent to the School, the Governors and Children Services. The respective management teams would challenge the outcomes accordingly. Geoff explained that the Audit process involved reviewing the systems in place, hold discussions with the accountable managers and a series of recommendations would be identified. For limited assurance reports such as this a follow-up audit would be undertaken.

### **Home Meals and Frozen Food Delivery Service**

The Committee referred to the background report and raised serious concerns about the results of the KPIs. In response, Mike Potter (Interim Director for Adult Social Care Procurement & Business Intelligence) and Sherifah Scott (Head of Procurement and Contracting) assured the Committee that remedial action had been undertaken to rectify the failings in contract management. For instance, checking that drivers had a clean licence to being DBS certified.

The Committee asked that in future audits of contracts/contract management, where action was required to address failures or poor performance of contractors, Internal Audit should, in all cases consider including a recommendation that allows compensation to be sought from the contractor(s). Geoff Drake agreed that this would be considered in going forward.

The Committee noted that the risk impacts identified against the report recommendations, invariably reflected on the reputation of the authority. Therefore the Committee asked for all future audit recommendations to include the risk management impact on service users where they exist. Geoff Drake agreed that this would also be included in going forward.

**ACTION: (Senior Audit Manager)**

The Committee recommended that all future contracts should include clauses that allow compensation to be claimed as a standard requirement. As it was essential to deliver effective contract management to support the process in achieving a high level of service delivery. Geoff Drake advised that this could be included in the scope of the planned audit of procurement that the committee had already asked to have input into.

The Committee identified two areas of immediate attention in going forward, firstly, address the contract management standards and secondly, apply strict penalties where service delivery is underperforming. The Committee then recommended that Legal Contract Officers should be involved in establishing contract terms and conditions and in applying penalties to best protect the authority and the service user. It was noted that the Committee understood that there was an audit planned for procurement, which presented them with an opportunity to consider these specific areas of improvement. The committee noted that the amendments to the procedures would be made to integrate a legal role to the current check-list for

Service Managers. Jane West (Executive Director of Finance and Corporate Governance) agreed that this would be rolled out from April 2015.

**ACTION: (Jane West, Executive Director of Finance)**

### **ICPs Parking System Application**

The Committee requested to receive a paper detailing the responsibilities of the contractors delivering the information system.

**ACTION: (Bi-Borough Director for Transport & Highways)**

The Committee noted from page 81, Appendix B, of the report that the audit of Corporate Procurement Including E-Procurement was deferred. This was due to a delay around the decision-making process in establishing a Tri-Borough service. It was noted that the Committee would like the opportunity to have an input into the audit scope before the audit commences.

In response to the outstanding recommendations listed on page 88 of the report (references 1 – 3), the Committee requested to receive a confirmation email from the department within seven working days confirming why the recommendations were still outstanding. What action was being taken to implement the recommendations and when they would be implemented. It was noted that if the Committee did not receive this, the accountable officers' should be invited to the next meeting to discuss the matter further.

**ACTION: (Senior Audit Manager)**

### **RESOLVED –**

THAT the report be noted subjected to the actions listed in the discussion be met.

## **96. TREASURY MANAGEMENT STRATEGY REPORT 2015/16**

Jonathan Hunt (Tri-Borough Director for Pensions & Treasury) introduced the report by confirming that the report had been to the Finance & Delivery Policy Accountability Committee and went to the H&F Officer Briefing Board on 2<sup>nd</sup> February 2015 and would be going to Council on 25<sup>th</sup> February 2015.

The Committee discussed at length the annual investment strategy for 2015/16 and the proposed changes from the 2014/15 Treasury Management Strategy as set out on page 100, paragraph 6.8 of the report. The Committee agreed that the Maximum Individual Counterparty Investment limit against Network Rail be change from 'Unlimited' to £200m.

**ACTION: (Tri-Borough Director for Pensions & Treasury)**

**RESOLVED –**

- (i) THAT the Council approve:
- (ii) THAT the future borrowing and investment strategies as outlined in the report be amended to ensure that Network Rail Maximum Individual Counterparty Investment limit be changed from 'Unlimited' to £200m and the Executive Director of Finance and Corporate Governance be authorised to arrange the Council's cash flow, borrowing and investments in 2015/16.
- (iii) THAT in relation to the Council's overall borrowing for the financial year, the comments and Prudential Indicators as set out in the report and the four year capital programme 2015/16 to 2018/19 be noted.
- (iv) THAT the approval was given to pay the Housing Revenue Account (HRA) investment income on unapplied HRA receipts and other HRA cash balances calculated at the average rate of interest (approximately 0.8% p.a.) earned on temporary investments with effect from 1 April 2014.

**97. GRANTS REPORT 2013/14**

Hitesh Jolapara (Bi-Borough Director of Finance) introduced the report. The Committee noted from page 117, Appendix 1 of the report that the one error identified by KPMG was valued at £4,383. The Housing benefit subsidy claim was reduced by this amount due to the tax credit entitlement was incorrectly applied.

**RESOLVED –**

THAT the report be noted.

**98. INTERNAL AUDIT ANNUAL PLANS 2015/16 YEAR**

Geoff Drake (Senior Audit Manager) introduced the report and referred to the draft plan for 2015/16 in Appendix B. The Committee asked if it was possible for the committee to have an input into the procurement audit scope. In response, Geoff Drake confirmed that as the procurement audit was timetabled for quarter 1 (April to June 2015) it could not be brought to the next committee meeting, however the draft audit scope could be circulated to Committee members for comment.

**ACTION: (Senior Audit Manager)**

The Committee acknowledged that although the London Waste Authority was a separate organisation and an existing business partner for H&F, it was considered essential to identify their 'fit for purpose' capability.

**RESOLVED –**

THAT the report be noted.

Meeting started: 7.00 pm  
Meeting ended: 9.17 pm

Chairman .....

Contact officer: Poonam Patel  
Committee Co-ordinator  
Governance and Scrutiny  
☎: 020 8753 2088  
E-mail: [poonam.patel@lbhf.gov.uk](mailto:poonam.patel@lbhf.gov.uk)