



London Borough of Hammersmith & Fulham

Audit, Pensions and Standards Committee Minutes

Tuesday 15 September 2015

PRESENT

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

Officers: Nigel Pallace, Geoff Drake, Jane West, Selina Douglas, Mike Rogers, Rachael Wright-Turner, Ciara Shimidzu, Debbie Morris, Hitesh Jolapara, Nick Austin, Michael Sloniowski, and David Abbott

Guests: Andrew Sayers and Sally-Anne Eldridge (KPMG)

1. MINUTES OF THE PREVIOUS MEETING

Page 2, **Item 5 – External Audit Plan** - A response on members questions around fee levels had been circulated by KPMG and members thanked them for the reduction of 25% from the previous year.

RESOLVED

That the minutes of the meeting held on 17 June 2015 were agreed as a correct record and were signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Nick Botterill and apologies for lateness were received from Councillor Michael Adam (who arrived at 19:15).

3. DECLARATIONS OF INTEREST

Councillor Ben Coleman declared a non-pecuniary interest as a Governor of Queensmill School.

4. LBHF STATEMENT OF ACCOUNTS 2014-15

Hitesh Jolapara introduced the report that presented LBHF's Statement of Accounts, including the Pension Fund, for 2014/15 and the external auditor's (KPMG) draft opinion on the accounts.

Andrew Sayers and Sally-Anne Eldridge (KPMG) talked through their draft opinion, noting that there were no significant risks that were not being addressed. It was felt that there was an overreliance on spreadsheets for financial processes but managed services would resolve those concerns.

The Chair noted that an updated version of the Statement of Accounts and Annual Governance Statement had been circulated prior to the meeting and an additional addendum and errata to the Statement of Accounts had been tabled at the meeting.

Members asked for more detail on the large variances between the budget and actual figures (summary outturn position - point 8).

ACTION: Hitesh Jolapara to provide information outside the meeting

Members asked if the level of reserves was a concern. Officers responded that all reserves were earmarked for specific purposes and were challenged at Officer Briefing Board.

Members asked when PFI debt would be paid back. Officers responded that the debt lasts for the duration of the PFI and would expire in 15 years.

RESOLVED

1. That the Committee noted the content of the auditor's 'Report to those Charged with Governance (ISA260)' (Appendix 2) stating that the accounts will receive an unqualified opinion, the Council has an adequate internal control environment and has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.
2. That the Committee noted the auditor's findings, recommendations and the Council's response to those recommendations as set-out in the Report to those Charged with Governance (ISA260).
3. That the Committee approved the management representation letter (Appendix 3).
4. That the Committee approved the Statement of Accounts for 2014/15, including the Pension Fund (Appendix 1).

5. ANNUAL GOVERNANCE STATEMENT

Hitesh Jolapara introduced the report that presented the Council's Annual Governance Statement, a statutory document which explains the processes and procedures in place to enable to Council to carry out its functions effectively.

RESOLVED

1. That the Committee considered and approved the 2014-15 Annual Governance Statement.
2. That the Committee agreed to monitor and track an agreed action plan to address significant weaknesses and ensure continuous improvement of the system of internal control.

6. ANNUAL CORPORATE HEALTH AND SAFETY REPORT

Nick Austin presented the report that provided an overview of the health and safety performance of the organisation during the period 1 April 2014 to 31 March 2015. It was noted that accident rates were generally reducing or remaining static. Working from home presented new challenges to resiliency and added a more variable working environment but the authority took a pragmatic approach to risk management.

Members asked why the losses to the Council from successful claims had increased over recent years. Officers responded that there were two large claims that had significantly affected the figures. Members requested more information on the events that led to the claims and the actions taken to resolve those issues. Members also asked for information on all upcoming claims.

ACTIONS: Nick Austin

Members noted that stress was the primary area for claims and asked if there were ways of tracking incidents of stress before they become major problems. Officers responded that the Council had a series of HR policies on stress management and followed good practice with occupational advice available to staff and back to work interviews for those who had taken time off due to stress. The annual staff survey contained six key questions on stress that were used to track performance.

Members noted that 15 percent of sickness was categorised as unknown. Officers responded that there was a facility for staff to report sickness to occupational health anonymously and more detailed information could be gathered from them. In future the report could provide a fuller picture.

RESOLVED

1. That the Committee reviewed and commented on the organisations health and safety performance for the 12 month period.
2. That the Committee reviewed the annual report to satisfy itself that the Council is fulfilling its legal duty of care.

7. INTERNAL AUDIT QUARTERLY REPORT

Geoff Drake presented the report that summarised internal audit activity in respect of audit reports issued during the period 1 April to 30 June 2015. A summary of outstanding audit recommendations from departments was circulated to all members.

Members asked for more detail in the audit reports (date of report delivery, deadline for responses etc.) to better understand the process and why responses were not received when expected.

ACTION: Geoff Drake

Members noted the high number of outstanding recommendation related to schools and asked for an update from Children's Services officers at the next meeting.

ACTION: Dave McNamara

Data Storage and Backup Recovery Audit

Members asked Ciara Shimidzu (Acting Head of Information Management) for an update on the outstanding recommendation related to data storage and backup recovery audit. Ciara Shimidzu responded that there had been delays related to the managed services programme and the move to Office 365. Officers would update the Committee with more detail from the project sponsor. Members requested that the recommendation be implemented by the end of the next financial year.

ACTIONS: Ciara Shimidzu

8. RISK MANAGEMENT REPORT

Michael Sloniowski presented the report that provided an update on the status of strategic risks identified for 2015-16.

Members asked for clarity on point 1 of the risk register (page 216) where it seemed the risk was the move to managed services but the planned action was to move to managed services. Officers responded that it was not clear but there were risks still associated with the previous financial system, where the software provider went into liquidation, that it was envisaged these risks would be resolved by moving to the managed services system but clearly there were also new risk associated with the large scale transfer to a new system.

Members noted the negative direction of travel in Q2 under 'Information Management and Digital Continuity' (page 220). Officers responded that there had been an incident with managed services where sensitive information was mistakenly released to schools which increased the risk profile in that quarter.

Officers reported that two further incidents took place, one in housing and one in environmental services. Both were caused by inaccuracies with addresses. Members asked if the Council was at risk of a major fine from the Information Commissioner's Office (ICO). Officers responded that the risk was high but the ICO could see that the Council was making improvements to its processes in response to these issues.

Members suggested that in the cases of data breaches, there could be additional consequential costs and that these should be reflected in the register.

ACTION: Michael Sloniowski

Members suggested that for 'Information Management and Digital Continuity' (point 7, page 220) the threshold of £500k should be lowered to encourage the mitigation of risk at a far lower level. Officers ensured that action was taken at lower levels and would look to lower the threshold in the register.

ACTION: Ciara Shimidzu

Members asked how seriously the organisation took risk management. Officers responded that the senior management team took risk very seriously. The Council had a wide range of risk to manage but was very responsive to issues. Members asked how they could improve the culture of risk management throughout the organisation. Officers welcomed the offer and would discuss options outside of the meeting.

ACTION: Michael Sloniowski

Members noted the negative direction of travel under point 12 (page 224). Officers responded that the issue was that a contract was left to expire when it should have been re-let. The issue had been referred to internal audit for investigation.

RESOLVED

1. That the Committee noted the risk profile of the Shared Services risk register and the MSP Service perspective risk assessment.
2. That the Committee gained assurance that risk management is effectively implemented by departments, and to identified where further action is necessary.

9. EXCLUSION OF THE PUBLIC AND PRESS

RESOLVED

That under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

10. EXEMPT - MINUTES OF THE PREVIOUS MEETING

Members asked for an update on the recommendations under Item 16 (page 128 of the exempt agenda).

ACTION: Geoff Drake

RESOLVED

That the exempt minutes of the meeting held on 17 June 2015 were agreed as a correct record and were signed by the Chair.

11. EXEMPT - INTERNAL AUDIT LIMITED ASSURANCE REPORTS

Members considered the following Internal Audit Limited Assurance Reports:

- Passenger Transport
- Shared Services – Residential Placements
- Audit Management Letter – DBS Employee Checks
- Data Migration Management Controls
- System Interface and Acceptance Tests

12. EXEMPT - MANAGED SERVICES PROGRAMME UPDATE

The Chair asked that discussion of this item was taken together with Item 12.

RESOLVED

That the Committee noted the contents of the report.

13. EXEMPT - AUDIT REPORT ON MANAGED SERVICES SYSTEMS

The Committee agreed to extend the guillotine of the meeting by 20 minutes to accommodate the following items.

Members discussed the report that identified MSP related risks and provided background information on the recent history of the programme.

RESOLVED

That the Committee noted the contents of the report.

14. DATES OF FUTURE MEETINGS

Future meetings of the Committee were scheduled for 14 December 2015 and 22 March 2016.

Meeting started: 7.04 pm
Meeting ended: 10.20 pm

Chair

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