

London Borough of Hammersmith & Fulham

# Audit, Pensions and Standards Committee

## Minutes



Wednesday 7 December 2016

### **PRESENT**

**Committee members:** Councillors Iain Cassidy (Chair), PJ Murphy, Guy Vincent, Michael Adam, Nicholas Botterill, Donald Johnson and Michael Cartwright

**Officers:** Hitesh Jolapara (Strategic Finance Director), Peter Carpenter (Interim Director for Treasury and Pensions), Paul Monforte (Head of Operations), Nicholas Austin (Director for Environmental Health), Michael Sloniowski (Risk Manager), Moira Mackie (Interim Director of Audit, Fraud, Risk, and Insurances), Andrew Hyatt (Head of Fraud), Geoff Drake (Senior Audit Manager), Ian Heggs (Director for Education), Dave McNamara (Children's Services Director for Finance), and David Abbott (Scrutiny Manager)

**External:** Mat Bishop (Managing Director at MITIE), Lee Ginger (Director at MITIE) and Ian Webb (Senior Partnership Manager at MITIE)

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

#### **RESOLVED**

The minutes of the meeting held on 13 September 2016 were agreed as a correct record and were signed by the Chair.

### 2. **APOLOGIES FOR ABSENCE**

Apologies for lateness were received from Councillor PJ Murphy.

Apologies for absence were received from Councillors Ben Coleman and Mark Loveday.

### 3. **DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **4. ANNUAL AUDIT LETTER 2015-16**

Hitesh Jolapara, Strategic Finance Director, presented the report and noted that the Council's external auditor, KPMG, had issued their Annual Audit Letter. The letter noted that, following the full completion of the 2015/16 Statement of Accounts by the Committee on 13 September 2016, KPMG issued the following on 30 September 2016:

- An unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2015/16.
- An unqualified opinion on the Authority's 2015/16 financial statements.
- An unqualified opinion on the 2015/16 Pension Fund.
- The 2015/16 Audit certificate. The certificate confirms that the auditor has concluded the audit for 2015/16 in accordance with the requirements of the Local Audit & Accountability Act 2014 and the Code of Audit Practice.

#### **RESOLVED**

That the Committee noted the contents of auditor's letter.

#### **5. APPOINTMENT OF EXTERNAL AUDITORS**

Hitesh Jolapara presented the report that outlined the approach for appointing the Council's External Auditors. The recommendation was for the Council to opt in to the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.

#### **RESOLVED**

That the Committee approved that the Council opts in to the appointing person arrangements made by Public Sector Audit Appointments for the appointment of external auditors.

#### **6. TREASURY MANAGEMENT STRATEGY REPORT 2017-18**

Hitesh Jolapara, Strategic Finance Director, and Peter Carpenter, Interim Director for Treasury and Pensions, presented the report that set out the Council's Treasury Management Strategy for 2017/18.

Councillor Nicholas Botterill asked if there were any changes to the institutions that the Council deposited with. Peter Carpenter said there were no changes.

Councillor Michael Adam, referring to a discussion at Finance & Delivery Policy and Accountability Committee in November, asked if options for higher yield investments had been considered yet. Hitesh Jolapara noted that papers were being prepared and would be circulated to members by email.

#### **RESOLVED**

1. That approval was given to the future borrowing and investment strategies as outlined in this report and that the Strategic Finance Director be authorised to arrange the Council's cash flow, borrowing and investments in 2017/18.

2. In relation to the Council's overall borrowing for the financial year, to note the comments and the Prudential Indicators as set out in this report and the four-year capital programme 2017/18 to 2020/21.
3. That 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 0.40% p.a.) earned on temporary investments throughout the year to the 31st March 2017.

## **7. UPDATE ON HOUSING HEALTH AND SAFETY CHECKS**

Paul Monforte, Head of Operations, presented the report. Lee Ginger, Director at MITIE, and Ian Webb, Senior Partnership Manager at MITIE, were also in attendance. Paul Monforte took the committee through the recommendations and progress to date in section 4 of the report. He noted that initial results of the reviews suggested that the installations were safe but paperwork for the checks had not been completed to the proper standard. Where there were issues raised from visual inspections and electrical tests, MITIE were aiming to resolve them by the end of the week.

MITIE were also validating all C1 and C2 checks, of which around 600 were remaining and these would be completed within seven weeks. They would then provide written assurance that the sites were compliant. PCM would also be carrying out independent checks of this work. Officers were working with MITIE to improve their processes, and had introduced a monitoring sheet that tracked electrical tests from start to finish.

Councillor Michael Adam asked, if officers were reporting that the systems were fundamentally safe, were there problems with the auditing process. Paul Monforte responded that, from discussions with PCM, the systems were safe though on inspection there were some issues found with the C2s. The key problems were administrative and quality assurance was not as good as it should have been. These were the areas for improvement going forward for both MITIE and the Council. The Housing department were putting in additional resource to facilitate a greater number of onsite post-inspections as well as a desktop review of twenty percent of them.

Councillor Michael Adam asked if, in practice, work had been signed-off without evidence, or proper checks. Officers said MITIE had employed a sub-contractor to carry out EICRs and while the process was safe, there was a failure in administration. Both MITIE and the Council were fully committed to getting this right in future.

Councillor Michael Cartwright said nothing was more important than the safety of residents and noted he was surprised by how few checks were initially carried out. He said he had concerns about MITIE and asked if the Housing department had assessed their competence to be the contractor for this service. Nicholas Austin, Director for Environmental Health, responded that the Council and MITIE were in a contractual arrangement. He said there were issues of quality assurance on both sides but there had been a commitment to improve and officers and MITIE were ensuring all outstanding actions were being followed up. Paul Monforte added that

Housing were adding an additional management post to ensure compliance across the department

Mat Bishop, Managing Director at MITIE, said MITIE took their partnership with the Council very seriously and had invested a lot of time and resources in the service. Within six months they had delivered 100 percent gas compliance, something that hadn't been achieved before. The team had worked hard to address the problems immediately. He noted that they stopped using the sub-contractor and MITIE operatives were now self-delivering the checks.

Councillor PJ Murphy said he was concerned by the apparent lack of oversight from both MITIE and Housing officers. He felt there needed to be a third-party audit of the checks to ensure the issues had been resolved and third-party quality control was employed going forward. Mat Bishop said that proposal was in the service improvement plan – PCM had carried out cross checks and going forward they would be checking ten percent of all new works. Paul Monforte added that Housing were looking to employ a company to carry out audit work across all their compliance areas.

Councillor PJ Murphy noted that there were 17 checks that were found to have had 'major discrepancies'. He asked if all of them had been visited. Paul Monforte said they had and they were all found to be safe.

Councillor Nicholas Botterill noted that during canvassing visits to local estates it was common to see electrical panels unscrewed, or panels missing, and rarely seemed to be fixed. Lee Ginger said vandalism generated the majority of unsafe situations and incidents could happen at any time. It was an ongoing issue but MITIE were holding a training day for managers to show them what to look for as part of a bigger piece of work around estate management.

Councillor Guy Vincent noted that he appreciated that representatives from MITIE had attended the meeting and it showed that they were taking the issues raised seriously. He also noted that this process had taken Housing officers a great deal of time to resolve and asked what it had cost the Council, and if there would be appropriate compensation. Paul Monforte responded that there had been additional time on both sides. He said the issue of compensation had not been broached but MITIE had paid for external consultants to visit 700 properties at their own cost. Councillor Vincent suggested officers investigated if there were penalties in the contract and / or grounds for compensation.

Councillor Michael Adam, noting that the report related to common areas, asked what checks were carried out inside the flats. Paul Monforte said there was a five-year programme to test domestic properties and any empty property had an electrical test prior to new tenants moving in. Councillor Adam asked if the same sub-contractor was used for those checks. Paul Monforte said they were only used for the common areas. Councillor Adam asked if there could be same issue of signing-off work without proper oversight. Paul Monforte said the works were carried out by directly employed electricians.

Councillor Michael Adam noted that domestic properties typically needed re-wiring every 30 to 35 years and asked if there was a rolling programme to carry out this

work across the estate. Paul Monforte responded that there was money available to upgrade systems as necessary but there was no rolling programme. Tests showed the infrastructure to be in good condition. Nicholas Austin said he could consult with Nilavra Mukerji, Director for Housing Services, about this and send information to members after the meeting.

Mat Bishop noted that MITIE were looking at ways to utilise intelligence gathered through delivery of the maintenance programmers and how they could inform future investment programmes. For example, repairs demand was a primary indicator that could be harnessed to help develop preventative programmes. Councillors said they would welcome more information on this.

Councillor PJ Murphy noted that the Housing department had implemented a new electrical safety policy and asked why they didn't have one previously. Officers responded that previously they had used the corporate policy but the audit process identified it as a gap.

Councillor PJ Murphy noted that policies were only effective if they were implemented properly and said he would like to see measures or a roll-out plan to show how that would be done. He also noted that officers needed to improve the way they worked with contractors to ensure they were effectively managed and held to account.

#### **RESOLVED**

The Committee noted the report.

### **8. ENVIRONMENTAL SERVICES GROUP RISK MANAGEMENT REPORT**

The Chair informed the Committee that this item was for information only.

### **9. ANNUAL CORPORATE HEALTH AND SAFETY REPORT**

Nicholas Austin presented the report that summarised the safety performance of the Council for the year April 2015 to March 2016 and the aims of the Corporate Health and Safety Team for the year ahead. He noted that MAZARs carried out an external audit in 2015 and made recommendations to improve senior management training, for services to upload risk assessments to a central system, and to finalise the health and safety regime for schools. The service has responded to each of these actions, full details of which could be found in 5.15 of the report.

The Chair asked how many Academy schools bought in to the services provided by the Council's Health and Safety department. Nicholas Austin said five schools currently and further outreach would be done with both Academies and voluntary aided schools.

The Chair asked which services involved in the seemingly high number of violence and intimidation incidents reported. Nicholas Austin reported that the two main areas were libraries and civil enforcement officers.

Councillor Nicolas Botterill asked if the parking wardens were outfitted with body-cams, and if so had there been a corresponding reduction in violent and intimidation incidents. Nicholas Austin said enforcement officers had been given body-cams and, with the right training, they had been responsible for a significant reduction in incidents.

Councillor PJ Murphy, referring to 5.6 of the report, noted there were only 18 incidents of 'slips and trips' and asked what was responsible for the low figure. Nicholas Austin replied that those types of injuries could have a major impact on staff so officers had worked hard to reduce this number through better signage and highlighting the issue at senior management team level. Councillor Murphy then asked about stress amongst staff from absenteeism. Nicholas Austin said they were waiting for more informed data on this from HR.

Councillor Guy Vincent asked why there was no mention of the recent fire at a block of flats in Shepherd's Bush Green on 19 August 2016. Nicholas Austin noted that this was an annual report that only covered the previous financial year. He also noted that the Council had lobbied for a full recall of the affected tumble dryer model that caused the blaze and officers had explored taking regulatory action under the Enterprise Act.

Councillor Nicholas Botterill, referring to table one in appendix one, asked why there had been a fall in reported incidents from employees but an increase for non-employees. Nicholas Austin said the increase in incidents from non-employees was likely to be due to improved reporting.

Councillor PJ Murphy asked if the reduction in reported incidents from employees could be due to reductions in staff numbers and requested that future reports included an 'incidents per-100 employees / non-employees'.

### **RESOLVED**

The Committee reviewed and commented on the organisational health and safety performance.

## **10. CORPORATE ANTI-FRAUD SERVICE - MID-YEAR REPORT**

Andrew Hyatt, Head of Fraud, presented the report that provided an account of fraud related activity undertaken by the Corporate Anti-Fraud Service from 1 April 2016 to 31 September 2016.

Councillor Michael Cartwright asked if the proceeds of crime actions were effective. Andrew Hyatt said they were often long cases and it could take up to 12 months to receive payment but he considered them to be a strong deterrent.

Councillor Cartwright noted the substantial figures in the Right to Buy cases and asked if the Council prosecuted those offenders. Andrew Hyatt said they did look to prosecute - they also vetted all Right to Buy applications through an agreement with the Council's HomeBuy Service to ensure the source of the money was legal.

Councillor Nicholas Botterill noted that the report said 'resources within the service remain stretched' and asked if the service required additional support. Andrew Hyatt responded that the posts existed but they were struggling to find suitably trained investigators. To combat that the service was looking at building on an existing apprentice post.

Councillor Guy Vincent noted that a significant portion of crime and fraud had moved into the digital realm now and asked if the Council was sufficiently protected against those types of attacks. Andrew Hyatt agreed that cyber-crime was on the rise but detail of the Council's protections was a question for the ICT team. The service was undertaking awareness training so they could advise other staff on these issues.

Councillor Michael Adam asked for an update on the repayments for business rates fraud. Andrew Hyatt said he could provide this information after the meeting.

### **RESOLVED**

That the Committee noted the fraud work undertaken during the period 1 April 2016 to 31 September 2016.

## **11. RISK MANAGEMENT UPDATE REPORT**

Michael Sloniowski, Risk Manager, introduced Moira Mackie, Interim Director of Audit, Fraud, Risk, and Insurances, and presented the report that included:

- An oversight of the authority's processes to facilitate the identification and management of its significant business risks.
- A summary of the Q2 2016/17 Corporate and Service Risk Registers.
- A summary of the benchmarking exercise of Risk Management undertaken in the quarter.
- Oversight of the council's revised Risk Management Policy and Strategy document.

Councillor Michael Adam noted that the key challenge for the service was to embed risk management in the Council's day to day operations. He asked if the service had considered 'score-carding' departments, e.g. on a scale from one to five where one was 'no appreciation for risk management' and five was 'risk management embedded in work practice'.

Michael Sloniowski replied that they had been thinking about using indicators and the Council's senior leadership team had asked for monthly risk registers so they could scrutinise departments.

Councillor PJ Murphy asked if the Council had a risk map like the example on page 150 of the agenda. Michael Sloniowski said they didn't but would like to develop one and hoped to integrate it into the report that would be sent to the senior leadership team meeting.

### **RESOLVED**

1. That the Committee noted the contents of the report.
2. That the Committee considered the corporate and service department risks and requested that the risk owners provide a detailed update on the treatment and

mitigation of the risk including impact on the corporate objectives at the next meeting.

3. That the Committee endorse the 2017-2020 Risk Management Strategy.

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

Geoff Drake, Senior Audit Manager, presented the report which summarised progress on implementing recommendations arising from the External Audit Report 2015/16 and the Annual Governance Statement. He noted that since the report was published recommendation two had been completed.

Councillor PJ Murphy, referring to page 244 of the agenda, noted that the Council was funding commercial and contractual training for staff and asked if there was any cost recovery if staff left the organisation within a certain time-period (as was standard in many private sector companies). Geoff Drake said he would check with the responsible director after the meeting.

### **RESOLVED**

That the Committee noted the contents of the report.

## **13. INTERNAL AUDIT QUARTERLY REPORT**

Geoff Drake, Senior Audit Manager, presented the report that summarised internal audit activity in respect of audit reports issued during the period 1 July to 30 September 2016 as well as reporting on the performance of the Internal Audit service. He noted that the number of outstanding recommendations had significantly reduced from the previous quarter – 66 to the five listed in the report. Nick Austin noted that the three outstanding recommendations in Environment Services would be completed by 1 January 2017.

Councillor Michael Cartwright asked for an update on the BT Managed Services programme. Hitesh Jolapara responded that the main issues were with payroll and pensions. Geoff Drake added that the target date for the outstanding audit recommendations was end of March 2017 but it was not clear at this stage if the key outstanding issues would be resolved. Councillor Cartwright asked if the Finance department had to bring in additional resource to help with the closure of the accounts. Hitesh Jolapara said they had, and all additional cost would inform the commercial discussions.

### **RESOLVED**

That the Committee noted the contents of the report.

## **14. FINAL AUDIT REPORT - DISABILITY SERVICE DIRECT PAYMENTS**

Ian Heggs, Director for Education, and Dave McNamara, Children's Services Director for Finance, presented the report.



Councillor Michael Cartwright noted that the report suggested, while the Council wasn't directly responsible for people not paying their income tax and national insurance, it wasn't proactive in supporting them. Dave McNamara said the audit highlighted the need for more rigour and discipline in the service and to that end, new management had been put in place and had carried out a complete review of the area. Councillor Cartwright asked if the individuals were paying the money back now. Dave McNamara said he could check and provide that information after the meeting.

Councillor Nicholas Botterill asked what the Council's obligation was in this instance. Dave McNamara said the Council didn't have legal responsibility, it was up to individuals to make own arrangements, but if those people got into trouble and that threatened the support given to a child it could cause the Council problems.

Councillor PJ Murphy said he gave credit to the service requesting an audit due to concerns. He asked if officers had similar concerns looking across other areas in Children's Services. Dave McNamara said the focus was inevitably on high value, high risk cost areas. However, this was an area that escaped scrutiny for a long time and they would be reviewing other areas and making sure the rigour applied to major payment areas was applied elsewhere.

Councillor Guy Vincent asked what officers were doing to ensure schools were using funds appropriately. Dave McNamara replied that schools were responsible; the only check was through the audit process. The current system of accountability was being refreshed though, soon school bursars would be given training to allow them to challenge headteachers.

Hitesh Jolapara noted that Chairs of Governors could be invited to the Committee if their school had outstanding recommendations, in the same way Directors for internal services were. The Chair noted that a letter had gone to all Chairs of Governors explaining future attendance at this Committee may be necessary.

Councillor PJ Murphy suggested officers charged Academies for advice and attendance at bursar forums etc. Ian Heggs said the service he could review the current policy and practice.

#### **RESOLVED**

That the Committee noted the contents of the report.

#### **15. DATES OF FUTURE MEETINGS**

The next meeting was scheduled for 21 March 2017.

#### **16. 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.

**17. EXEMPT MINUTES OF THE PREVIOUS MEETING**

**RESOLVED**

The exempt minutes of the meeting held on 13 September 2016 were agreed as a correct record and were signed by the Chair.

Meeting started: 7.00 pm  
Meeting ended: 9.50 pm

Chair .....

Contact officer: David Abbott  
Scrutiny Manager  
Governance and Scrutiny  
☎: 020 8753 2063  
E-mail: david.abbott@lbhf.gov.uk