

London Borough of Hammersmith & Fulham

Audit, Pensions and Standards Committee

Minutes



Tuesday 12 March 2019

PRESENT

Committee members: Councillors Iain Cassidy (Chair), Jonathan Caleb-Landy, Asif Siddique and Matt Thorley

Guests: Andrew Smith and Sam Harding (Grant Thornton, External Auditors)

Officers:

Kim Smith (Chief Executive)

Hitesh Jolapara (Strategic Director of Finance and Governance)

Emily Hill (Assistant Director of Corporate Finance)

Steve Miley (Director for Children's Services)

Karen Sullivan (Assistant Director of Residents' Services)

Jane Sheehan (Resident Experience Manager)

David Hughes (Director for Audit, Fraud, Risk and Insurance)

Mike Sloniowski (Risk Manager)

Sarah Bright (Assistant Director of Public Services Reform)

Rhian Davies (Assistant Director of Legal and Democratic Services - and Monitoring Officer)

David McNulty (Assistant Director of Operations)

Katie Estdale (Corporate Policy and Performance Manager)

Mark Grimley (Director for Corporate Services)

David Abbott (Scrutiny Manager)

1. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 12 December 2018 were agreed as a correct record and signed by the Chair.

2. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Rebecca Harvey and Alex Karmel.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. EXTERNAL AUDIT PLAN 2018-19 AND AUDIT FEE LETTER

Hitesh Jolapara (Strategic Director of Finance and Governance) introduced Andrew Smith and Sam Harding from Grant Thornton, the Council's new external auditors. Andrew Smith presented Grant Thornton's External Audit Plan which provided an overview of the planned scope and timing of the statutory audits of the Council accounts and the Council's pension fund. He noted that the key risks identified for the Council were:

- Management override of controls
- Valuation of property
- Plant and equipment
- Valuation of pension fund net liability
- Implementation of the new general ledger resulting in material misstatements across the accounts

The pension fund's key risks were identified as:

- Management override of controls
- The valuation of Level 3 (hard to value) investments
- Implementation of the new general ledger resulting in material misstatements across the accounts

Andrew Smith then stated the material thresholds for the Council would be £30m or 1.8 percent of gross expenditure and the threshold for the pension fund would be £80m or 1.8 percent of the total fund value. If there was a material error over and above those thresholds Grant Thornton would qualify their opinion. Errors identified below that level would be report to management for a response.

The Chair noted that the Committee had spent a lot of time considering items related to Agresso and the move to the new IBC system. He asked what additional work was being done in this area and if it would attract additional fees. Sam Harding responded that the auditor had already looked at the closing and opening balances on the transfer from Agresso to IBC SAP and they found no issues. They were also working with IT and insurance specialists to ensure the system and data quality was up to standard. Hitesh Jolapara informed members that auditors were involved in all stages of the transfer to provide reassurance.

The Chair asked if the audit of the pension fund would be looking into some reported issues with payments to pensioners. Andrew Smith said their focus would be on the accounts and higher-level controls. The issue raised was more about the day-to-day controls and the audit wouldn't go into that level of detail. It would however be picked up in any internal audit work in that area.

Members asked for an update on the interim audit. Sam Harding said the interim audit had started in December and auditors had completed work looking at the Council's significant business processes. She noted they hadn't found any issues at this time.

RESOLVED

The Committee noted Grant Thornton's external audit plan and audit fees letter.

5. APPOINTMENT OF ADDITIONAL INDEPENDENT PERSON

Rhian Davies (Assistant Director of Legal and Democratic Services - and Monitoring Officer) presented the report requesting that the Council undertake a recruitment exercise to appoint an additional Independent Person. She noted that the Committee on Standards in Public Life's report on local government ethical standards, published on 21 January 2019, recommended at least two Independent Persons and she recommended the Council followed this best practice. She also noted the current Independent Person had been in place since 2012 and the report recommended a maximum of two terms of two years - so pending a successful recruitment the Council would take this opportunity to follow best practice.

She advised that it would be at least two years before legislation catches up to the report but in the meantime the Council should move towards best practice where possible. She would bring back options to a future meeting.

Rhian Davies highlighted the following key recommendations from the report:

- A return to Standards Committees
- Councillors can be suspended for 6 months
- If a Councillor is suspended they would have the right to appeal to an ombudsman
- Councils should have a model code of conduct
- On declarations of interest - pecuniary and non-pecuniary interests would be changed back to the previous system of personal and prejudicial interests

The Chair asked if the new Standards Committee would be a standalone Committee. Rhian Davies said it would be - a separate committee would allow members to consider standards issues in more detail.

Councillor Jonathan Caleb-Landy asked how consideration of standards in H&F compared with other authorities. Rhian Davies said practice varied considerably between different local authorities. H&F was already meeting many of the best practices outlined in the report though.

Rhian Davies noted that the report also covered member complaints and that she would be informing the committee of such complaints once a year. In each of the cases in the report she contacted the Independent Person and took their view on whether to progress. It was determined that none of the three complaints merited a full investigation.

RESOLVED

1. The Committee noted the outcome of the complaints received.
2. The Committee approved the recruitment of an additional Independent Person.

6. RISK MANAGEMENT HIGHLIGHT REPORT

David Hughes (Director for Audit, Fraud, Risk and Insurance) and Mike Sloniowski (Risk Manager) presented the report that provided members of the Committee with

an update on risk management within the Council - and presented the Corporate Risk Register for consideration.

Mike Sloniowski noted the following key risks:

- **Risk 3: Commercial & Procurement** - Work was concluding on a review and update to the Council's Corporate Procurement Strategy, the Forward Plan of Procurement and cross-service contracts and commercial training. Improvements had been embedded in departments to ensure they were more effective and efficient in this area.
- **Risk 27: Digital Accessibility** - The EU Web Accessibility Directive meant there would have to be a radical overhaul of the structure and content of public bodies websites and mobile apps to transform the way 13 million disabled people in Britain access the Internet.
- **Risk 6: Information Management, legislation and compliance** - A joint programme being trialled in Children's Services to improve information management. The disentanglement of shared services exposed issues with the management reporting system and the Business Intelligence Unit were looking at how to resolve this. Steve Miley noted that since coming out of shared services Children's Service hadn't received a single monthly management information report.

Mike Sloniowski noted that officers were also considering how the Council was prepared for a range of Brexit scenarios. They had spent a lot of time understanding the supply chain risk, staffing risks, impact on residents etc. In recent weeks there had been daily meetings with the business continuity team to keep updated on these issues. There was also a service group chaired by the Chief Executive and there were additional assurances through the London Resilience Forum that the Council was closely involved with.

Councillor Jonathan Caleb-Landy asked if the digital accessibility work meant the Council would be re-investing in the website or updating what was already in place. Mike Sloniowski said the work was more about future-proofing the design of web content - embedding accessibility by design.

Councillor Caleb-Landy noted that some residents struggled to find information on the website. He suggested involving community groups and groups like the Disabled People's Commission in the development of the new content. Kim Smith informed the Committee that the Council had just appointed a senior co-production post, one of the key recommendations from the Disabled People's Commission, and they would be starting work at the end of the month. She said she would pass this work over to them to take it forward.

The Chair asked for officers to update the Committee on risk 22 - Children's Services placements - and the risks associated with knife crime, particularly given the recent fatal stabbing of a young person in the borough. Steve Miley said that, as with other London Boroughs, H&F was seeing a rise in demand from adolescents at risk due to knife crime, child sexual exploitation and children being used for drug trafficking (County lines). Last Thursday a 17-year-old was stabbed and died and this weekend a 15-year-old was charged with his murder. He noted that officers had recently

attended a Community Safety Partnership meeting and a Youth Crime Partnership meeting to discuss how all public agencies could work together on these problems.

The Chair asked if the Council had the necessary resources to properly deal with these issues. Steve Miley felt the Council had adequate resources but needed to use them in more effective ways. Different resources were needed at different points in a young person's life. For those displaying extreme behaviours like supplying drugs they would need a period of intensive intervention to move that person to a more positive pathway. The Council needed to identify individuals as early as possible and put the right support in place. Officers were currently looking at how they could support inclusion and move resources up-stream.

RESOLVED

That the Committee noted the report and reviewed the Corporate Risk Register.

7. INTERNAL AUDIT QUARTERLY UPDATE

David Hughes (Director for Audit, Fraud, Risk and Insurance) presented the report that summarised internal audit activity undertaken during the period 1 November 2018 to 1 February 2019. He noted that there had been seven further audits since the last meeting with 21 recommendations followed-up on and implemented. There had also been two full follow-up reviews (the limited assurance reports on the agenda) and of them, all high and medium recommendations had been implemented. David Hughes noted that the improved assurances provided in the report reflected the positive impact of the increased focus on assurance and risk management, led by the Chief Executive.

8. LIMITED ASSURANCE REPORT - LBHF JOINT VENTURES LTD

Sarah Bright (Assistant Director of Public Services Reform) and Rhian Davies (Assistant Director of Legal and Democratic Services) presented the limited assurance report.

David Hughes (Director for Audit, Fraud, Risk and Insurance) informed the Committee that LBHF Joint Ventures Ltd was an ethical debt joint venture set up in partnership with the company Intrum. The venture was slow to start, and governance was not as developed as it should have been in the early stages, but officers had since been working with Legal Services to develop more robust governance for this and any other joint ventures.

Sarah Bright added that the Public Services Reform department was involved in the early stages and have taken the project forward. They welcomed the recommendations from audit, though when the department picked the project up officers were aware of performance issues and rather than wait for the recommendations they had been actively working to address the issues identified in the report. Now the joint venture was in a much more positive situation. Two board meetings had been agreed with Intrum and new Directors had been appointed. There was also positive interest in the joint venture's products - three Council's had confirmed signed access agreements for pilots and three more were in the pipeline.

The Chair asked if all the products were related to ethical debt. Sarah Bright said there was a range of products, but they were all based on the same principles of ethical debt recovery.

David Hughes noted that this had been actively tracked by the senior leadership team and they were confident that it was moving in the right direction. Positive work had been completed on future governance structures to ensure the Council was properly discharging its shareholder duties.

Councillor Asif Siddique asked if officers could give an estimate of the near-term investment in the venture. Sarah Bright said officers have been working on investment costs, but they needed to complete pilot the work to fully understand the implications. Ultimately those decisions would be made by the Commercial Revenue Board.

9. LIMITED ASSURANCE REPORT - MEMBERS & MP ENQUIRIES, FREEDOM OF INFORMATION, SUBJECT ACCESS REQUESTS AND COMPLAINTS

Karen Sullivan (Assistant Director of Residents' Services), Mark Grimley (Director for Corporate Services), and Jane Sheehan (Resident Experience Manager) presented the report.

David Hughes noted that there had been a positive response to the audit and a clear action plan had been put in place. It had also been actively tracked and managed by the senior leadership team.

Karen Sullivan informed the Committee that in the 6 months since the audit all of the medium and high recommendations had been implemented. There was new management delivering the service now and performance had improved substantially. The Council's senior leadership team had also commissioned a wider piece of work looking at the overall operating model. There were pockets of best practice with regards to complaints in Social Care and Children's Services. The service was creating a 'residents commitment' that would be launching soon.

The Chair noted that a large proportion of enquiries from Councillors and MPs were related to housing and, given that the Council was changing the repairs service soon, how were these complaints going to be managed going forward? He had concerns about the complications created by the move - i.e. cases could be lost in the transition. Karen Sullivan said the complaints team had been deeply involved in this project - they had fed into training for H&F Maintenance staff, so they were clear on the processes and there was a dedicated team for complaints and service improvement.

The Chair asked if officers had done an analysis of which departments had the most overdue complaints. Karen Sullivan noted the last graph in the report showed some of this information - there had been a large increase from Housing which coincided with Mitie (the current housing repairs provider) informing the Council of a resource gap. Adult Social Care and Children's Services also had complaints that could be very complex and take time to respond to and resolve. There was a backlog of subject access requests and this included a number of Children's Services requests.

Due to the nature of Children's Services work these requests could cover a child's lifetime and involve a wide range of different contacts and services.

Councillor Jonathan Caleb-Landy noted that he had seen an improvement in response times in recent months and wanted to thank officers for that. He then went on to say that every resident waiting for a response was extremely important. He asked what the target was for responses and what good looked like in this area.

Karen Sullivan said the target for a member enquiry was a response within 3 working days. Previously this had been achieved 61 percent of the time but in recent months it had improved to 73 percent. The aim was to get this to 95 percent, but it would take time to achieve that.

Councillor Asif Siddique asked how enquiries were prioritised if they were very urgent. He also asked that officers ensured that responses had the same subject line as the request, so members could easily match responses. Karen Sullivan said officers would prioritise urgent enquiries. Kim Smith added that there were emergency duty numbers available for urgent issues and asked that they were recirculated to members. Karen Sullivan informed members that she would be writing a brief to all departments to ensure responses were consistent and included the correct subject line etc.

Councillor Jonathan Caleb-Landy asked how the statistics in the report were used. For example, were they used to show which services were under pressure and needed additional support? Karen Sullivan said officers had recently circulated the members enquiries report, including trends and statistics to highlight issues for services. The Council was increasing its use of business intelligence to use data to help services iterate and continually improve. Directors now also got copies of all stage 2 responses to sign off which should flag recurring issues for them.

Councillor Asif Siddique said it would be helpful for the members portal to have threads of requests and responses. The current system separated responses and items were archived early making them hard to find. Karen Sullivan said officers recognised the current system, iCasework, had limited functionality so they were working with members on user stories to ensure members have what they need. The Council was currently implementing a new online system that included a case management system that would be better for residents and members.

Councillor Matt Thorley noted that a number of members enquires were residents asking for information on what was going on in the local area. He asked if officers had assessed what type of enquiries were coming in to see if there were better ways to promote the things people were asking about. Karen Sullivan admitted that the approach had been more reactive, and officers hadn't done that analysis yet. They had started to do this for Freedom of Information requests though. Karen said she would take that away that as action and feedback to members.

Kim Smith addressed the Committee and said Jane Sheehan and Karen Sullivan should be commended for their excellent work improving the complaints and response times. They inherited a significant backlog that took a major effort to turn that around.

10. INTERNAL AUDIT PLAN 2019-20

David Hughes (Director for Audit, Fraud, Risk and Insurance) presented the Internal Audit Plan for 2019-20. The plan had been reviewed to ensure that the Council's audit work addressed key risks during a period of change and general financial constraints. The plan would include sufficient audit coverage to enable officers to provide an overall opinion on the Council's control framework and is sufficiently flexible to allow for additional reviews to be added in areas where support and/or advice might be required.

Members said they supported the Internal Audit Plan for 2019-20.

RESOLVED

That the Committee reviewed and supported the proposed internal audit plan for 2019/20 as set out in Appendix 1 of the report.

Meeting started: 7.00 pm
Meeting ended: 8.25 pm

Chair

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