

London Borough of Hammersmith & Fulham

Audit and Pensions Committee

Minutes



Tuesday 15 September 2020

PRESENT

Committee members: Councillors Iain Cassidy (Chair), Jonathan Caleb-Landy, Rebecca Harvey, PJ Murphy, Alex Karmel and Matt Thorley

Officers

Kim Smith (Chief Executive)
David Hughes (Director of Audit, Fraud, Risk and Insurance)
Mike Sloniowski (Risk Manager)
Emily Hill (Director of Finance)
Rhian Davies (Director of Resources)
Phil Triggs (Director of Treasury and Pensions)
Andrew Hyatt (Head of Corporate Anti-Fraud)
Mathew Dawson (Strategic Finance Manager, Treasury and Pensions)
Bram Kainth (Chief Officer – Public Realm)
Veronica Barella (Chief Digital Officer)
Lisa Redfern (Strategic Director of Social Care)
Jacqui McShannon (Director of Children's Services)
Chris Harris (Chief Accountant)
Moirra Mackie (Head of Internal Audit)
David Abbott (Head of Governance)

NOTE: This meeting was held remotely - youtu.be/n7djuvRGb4I

1. APOLOGIES FOR ABSENCE

No apologies for absence were received.

Apologies for lateness were received from Councillor Rebecca Harvey. She joined the meeting at 6.34pm.

2. ROLL CALL AND DECLARATIONS OF INTEREST

The Chair carried out a roll call to confirm attendance. Attendance is listed above. There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

Councillor Alex Karmel asked for an update on Hammersmith Bridge and the possible Bailey Bridge. The Chair noted that an update would be provided at the [Community Safety and Environment Policy and Accountability meeting](#) on 16 September 2020.

RESOLVED

The minutes of the meeting held on 16 December 2019 were agreed as an accurate record.

4. EXTERNAL AUDIT PLAN AND PROGRESS UPDATE

Emily Hill (Director of Finance) introduced the item. She was also joined by Paul Dossett and Ellen Millington from the auditor Grant Thornton.

Emily Hill noted that due to Covid-19 there would be a delay to the statutory timetable and the accounts didn't need to be signed off until November. However, the Council had already been assured that there were no major issues.

Ellen Millington (Grant Thornton) took the committee through the audit plan and Covid-19 update. She highlighted the following points:

- There was a risk around medium term financial planning due to the uncertainty for whole local government sector and increases in demand for services.
- Covid-19 had been added as an additional significant risk.

The Chair asked what the delay in the timetable meant for future audits – would they return to the previous timetable? Paul Dossett (Grant Thornton) said the Redmond Review recommended local government move to sign off their audits at the end of September. He expected the Government to plan to move to the September deadline in 2021. Ellen Millington added that Grant Thornton were still planning to do the audit to the same standards as in previous years despite remote working.

Councillor Alex Karmel asked for clarification on the difference between IFR 15 and IFR 16. Paul Dossett said it related to property leases. IFR 16 meant all material leases were on the Council's balance sheet.

Councillor Karmel asked if the effect of IFR 16 was positive or negative. Paul Dossett said in theory it was negative because it brought extra costs onto the balance sheet, but they were still awaiting detailed guidance on its application. Emily Hill said she expected the change to be neutral due to the way capital was accounted for in local government and statutory smoothing mechanisms.

Councillor PJ Murphy, noting the additional work placed on the Finance team due to Covid-19, asked if the audit was still on track. He also asked what the impact on the team would be if and when things went back to normal. Emily Hill said she was pleased with the statutory deadline extension. The Council and auditors could have

met the earlier deadline but the extension gave officers more time to focus on Covid-19 priorities. She was confident that the Council could meet next year's deadline.

Councillor Murphy asked if the audit fee variation for additional PPE experts etc. were billed at cost or a 'cost plus' model. Paul Dossett said they were billed at cost.

Councillor Murphy asked what the £5k improvement costs were spent on. Paul Dossett said Grant Thornton had employed more staff to work on the audits – including an 'engagement quality review partner' to judge the audit work. Some additional costs had been imposed by the regulator and were reflected in the fee proposal.

Councillor Murphy felt that Grant Thornton should bear the improvement costs. Paul Dossett said the additional fees reflected the extra work required by the regulator.

Councillor Jonathan Caleb-Landy asked what the potential impact on fees would be of the three potential scenarios modelled in the report. Paul Dossett advised that if Council's could maintain a stable position and a good set of accounts then that kept fees down. The Redmond Review recommended a different level of fees with additional fees only for extreme events.

The Chair thanked Paul Dossett and Ellen Millington from Grant Thornton for attending the meeting.

5. TREASURY MANAGEMENT OUTTURN REPORT 2019-20

Phil Triggs (Director of Treasury and Pensions) presented the report, noting that total borrowing had increased slightly as the Council had taken advantage of low interest rates from the Public Works Loan Boards in March. Councillor Matt Thorley asked if that approach was discouraged by Government. Phil Triggs said it wasn't frowned upon by Government – but they did discourage borrowing for things like external property investments.

Councillor Thorley asked if the Council was still lending to other local authorities. Phil Triggs said they were. Local authorities were one of the safer categories of counterparties, but officers still undertook full due diligence.

Councillor Thorley asked about the maturity of loans to local authorities. Phil Triggs said they would be no more than 12 months.

Councillor Alex Karmel asked for clarification of the financial implications of paragraph 2.4 of the report (referring to the Council's 'under-borrowed' position). Phil Triggs said the paragraph referred to financing previous capital expenditure. Under-borrowed meant using internal cash reserves to finance capital expenditure on a temporary basis. In the current environment of very interest rates, short term investments have very low yields meaning there was a significant gap between borrowing cost and investment yield. By funding capital expenditure on a temporary basis from cash reserves, that interest rate gap (a revenue cost known as cost of carry) can be avoided.

Councillor Karmel asked what the net effect was of internal borrowing on last year's accounts. Phil Triggs said there was a £100m difference between the capital funding requirement and the total loans portfolio, which produced around £1m of interest savings.

Councillor PJ Murphy asked what the £20m of borrowing referred to in section 2 was used for – and if the Council had the funds for the £11m due to be repaid next year. Phil Triggs said there were two tranches of £20m for the loan portfolio. It wasn't earmarked for specific capital projects – it would be used to finance the bottom line of unfinanced capital expenditure. The general practice for repayments was, if conditions were right, to look to refinance loans within the Council's general borrowing strategy.

Councillor Murphy asked how long the Council's cash balances would last if no income was received. Emily Hill said it was difficult to say. The Council only borrowed for capital investment and it was difficult to forecast capital because of delays to schemes due to Covid-19. Emily Hill said she could provide an approximate number outside the meeting.

ACTION: Emily Hill

Councillor Matt Thorley asked if the potential mismatch in business rates and extra pressure on local authorities meant we would have to reconsider the strategy as the position had materially changed. Phil Triggs said the Treasury team had taken action to reduce the length of placements from 12 months to six months in recent weeks. The team was mindful of the potential risks and was monitoring the situation carefully.

RESOLVED

That the Committee noted the Annual Treasury Management Outturn Report for 2019/20.

6. CORPORATE ANTI-FRAUD SERVICE PERFORMANCE REPORT - APRIL 2019 TO MARCH 2020

Andrew Hyatt (Head of Corporate Anti-Fraud) presented the report that gave an account of fraud-related activity undertaken by the Corporate Anti-Fraud Service (CAFS) from 1 April 2019 to 31 March 2020.

Councillor Alex Karmel asked for more information on the referral mentioned in the report from a department whose activities included 'significant procurements'. Andrew Hyatt said the referral came from a department that purchased properties for temporary accommodation. There was no evidence of fraud or misappropriation, but a member of staff should have disclosed that a family member worked in a related area.

Councillor Matt Thorley asked what the increase in fraud loss recoveries related to (section 1.5 of the report). Andrew Hyatt said proceeds of crime cases were often quite long and recovery of funds can take up to two years. The figures reported don't

necessarily relate to fraud identified in that year. He said officers would try to make that clearer in future reports.

Councillor Alex Karmel asked if there had been any progress increasing the number of Proceeds of Crime Act (POCA) actions.

Andrew Hyatt said it was a strategic objective moving forward and while Covid-19 had had an impact, proceeds of crime cases were progressing. He added that the team was looking to work more closely with Housing to obtain more investment in this area.

Councillor PJ Murphy asked what the impact of Covid-19 and remote working had been on the effectiveness of the team. Andrew Hyatt said they were fortunate to have the IT infrastructure and support in place already. Visiting and interviews had slowed but officers had restarted visits at the time of reporting. The team were now looking more closely at anti-fraud controls within services following changes from remote working.

Councillor Murphy asked if officers expected fewer properties to be recovered next year. And he asked if the Government's eviction ban had impacted recovery work. Andrew Hyatt said they would see a reduction. The eviction policy didn't have a huge impact.

Councillor Murphy asked if there was a potential risk around electoral registration and the impact on our data. Andrew Hyatt said he would need to follow up with electoral services. Rhian Davies said officers were currently reviewing whether to undertake the canvas.

ACTION: Andrew Hyatt / Rhian Davies

Councillor Matt Thorley asked if the eviction ban applied in cases of illegal subletting. Andrew Hyatt said his team were not taking action where it would cause an eviction at this time. If there was any evidence of fraud it would be passed on to Housing.

Councillor Rebecca Harvey asked why fraud with internal staff had seemingly doubled (1.5 of the report). Andrew Hyatt said it was due to some issues in a single team and it had been dealt with. A full report in December will provide more detail.

Councillor Harvey asked for an explanation 'succession' and 'abandonment' as they related to tenancy fraud (5.8 of the report). Andrew Hyatt explained that 'succession' was where a family member pretended they were living with a former tenant and 'abandonment' was similar to sub-letting where a tenant had moved.

Councillor Harvey asked if the team attempted to recover the rents earned in fraudulent sub-letting cases. Andrew Hyatt said what was handled by Housing and he could provide an answer outside of the meeting.

ACTION: Andrew Hyatt

RESOLVED

That the Committee noted the report.

7. ANTI-FRAUD AND CORRUPTION STRATEGY REVIEW

Andrew Hyatt (Head of Corporate Anti-Fraud) presented the revised Anti-Fraud and Corruption Strategy 2020 for review and approval.

The Chair asked if the Covid-19 pandemic and subsequent lockdown had highlighted any new types of fraud. Andrew Hyatt said they were looking at the grant funding from Central Government – there had only been ‘low friction’ checking so there was further work to do going forward to check if people had received grants they shouldn’t have. The team were also looking at Council services that have changed their processes to check they remained robust.

Councillor Rebecca Harvey asked if remote working had led to any data issues. Andrew Hyatt said all staff had undertaken data protection and security training and the equipment staff used was encrypted. Veronica Barella (Chief Digital Officer) added that robust controls and home working were already in place ahead of the Covid-19 lockdown. Digital Services hadn’t come across any examples of misuse of data but would work closely with the fraud team if they had any concerns.

RESOLVED

That the Committee noted and approved the updated anti-fraud and corruption strategy.

8. RISK MANAGEMENT HIGHLIGHT REPORT

Mike Sloniowski (Risk Manager) presented the report that provided an update on risk management across the Council. He noted that he had been supporting the Covid-19 pandemic response which had had an extraordinary impact on the Council and the community. The pandemic response had created a new set of risks to be managed, with daily monitoring in the early days. He said the Council had responded remarkably well managing those risks.

Councillor Alex Karmel noted that, excluding the pandemic, the most significant risk was Hammersmith Bridge. He said he would appreciate clarity over the mitigation methods, and timetable – and asked if there were procedures in place if there was a total collapse of the bridge. Mike Sloniowski said he would ask the relevant Director and emergency planning unit to respond.

ACTION: Sharon Lea

Councillor Matt Thorley asked for more information on the Community Aid Network (CAN) and how they could be used in future. Officers said an update could be provided by email.

ACTION: Mike Sloniowski

Councillor PJ Murphy asked how effective the Council’s local track and trace efforts were (recognising the significant issues reported with the national system). Mike Sloniowski said local test and trace had recently been implemented and initial feedback was positive. David Hughes added that H&F was one of first local

authorities to join track and trace and the Council was getting good data that was helping target support.

Councillor Murphy asked if the data quality was better now as there had been some difficulty in the early days of the pandemic. David Hughes said the Council was benefitting from a robust approach to collecting data.

Councillor Alex Karmel noted that he had been to the mobile testing unit in White City with his daughter – they were seen straight away, were out in ten mins, and had a result by the following morning.

The Chair asked what the experience had been working across agencies – with the NHS etc. Mike Sloniowski said the Council had very good working relationships with the CCG and other health partners.

Councillor Jonathan Caleb-Landy highlighted the threat of Covid-19 in care homes and asked how well prepared the Council was to ensure a ‘second wave’ didn’t hit the most vulnerable in the Council’s care.

Mike Sloniowski said the Council was far better prepared now. There were some difficulties initially setting up supply chains for PPE but now those were well established and there were ongoing mitigations in place. David Hughes added that Social Care had been providing advice and guidance and implementing good practice across the borough’s care homes. He also noted that outbreak plans were in place for all care homes.

The Chair thanked officers for their report and contributions.

RESOLVED

That the Committee noted the report.

9. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2019-20

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report that summarised the work of Internal Audit in 2019/20 and provided his opinion on the adequacy and effectiveness of the Council’s framework of governance, risk management and control.

The item also contained the following Final Internal Audit Reports:

- Engaging Support Workers Through Agencies
- Highways Deposits and Refunds
- Housing Service Charges
- Cyber Security

Housing Service Charges

Councillor PJ Murphy noted the shortfall on housing service charge debt recovery and asked how many cases that represented and what steps were in place to recover the money. Emily Hill said an answer could be circulated to Committee members.

ACTION: Tony Clements

Highways Deposits and Refunds

Councillor Alex Karmel noted that some of the rechargeable works issues dated back to 2010 and asked for assurances that by April 2021 there would be no cases over five years old. David Hughes said officers would ensure they had completed by the end of March and would report back to the committee.

ACTION: David Hughes

RESOLVED

That the Committee noted the report.

10. INTERNAL AUDIT PLAN 2020-21

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the internal audit plan for 2020-21. He noted that a lot had changed since the initial work due to the Covid-19 pandemic. Fraud and audit teams had been working on emergency issues faced by the community and a lot of audit work had been paused. The annual report would focus on the Covid-19 pandemic response.

Councillor PJ Murphy asked if a lessons learned exercise was planned for the pandemic response work. David Hughes said officers had already been doing lessons learned sessions with the internal recovery board. Each department had identified a series of measures if there is an escalation in local outbreaks.

RESOLVED

That the Committee agreed the following:

- That the plan covered the organisation's key risks as they are recognised by the members of the Committee.
- That the plan reflected the areas that the Committee believe should be covered as priority.
- That the Committee were satisfied that sufficient assurances were being received to monitor the organisation's risk profile effectively, including any emerging issues / key risks not included in our annual plan.

11. INTERNAL AUDIT CHARTER

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the item.

RESOLVED

That the Committee noted the report.

12. DATE OF THE NEXT MEETING

The next meeting was scheduled for the 1st of December 2020.

Meeting started: 6.30 pm
Meeting ended: 8.40 pm

Chair

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