

Audit Committee Minutes

Tuesday 14 September 2021

NOTE: This was held as an informal remote meeting

PRESENT

Committee members: Councillors Iain Cassidy (Chair), Jonathan Caleb-Landy, Alex Karmel, Matt Thorley, Rowan Ree and Alexandra Sanderson

Officers

Kim Smith, Chief Executive
Emily Hill, Director of Finance
Rhian Davies, Director of Resources
Lisa Redfern, Strategic Director of Social Care
Jacqui McShannon, Director of Children's Services
Tony Burton, Head of Finance – Children's Services and Education
David Hughes, Director of Audit, Fraud, Risk and Insurance
Moiria Mackie, Head of Internal Audit
Mathew Dawson, Strategic Finance Manager – Treasury and Pensions
David Abbott, Head of Governance

Guests

Alan Campbell, Headteacher of Cambridge Special School
Paul Dossett and Ellen Millington, Grant Thornton (external auditors)

1. APOLOGIES FOR ABSENCE

No apologies for absence were received.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous meeting held on 22 June 2021 were noted.

4. FINAL AUDIT REPORT - CAMBRIDGE SPECIAL SCHOOL

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the limited assurance report. He noted that the one limited assurance finding related to loans to

staff, originally for the Cycle to Work scheme cycling, but later extended to other areas. The programme had since been suspended.

Alan Campbell (Headteacher of Cambridge Special School) addressed the committee and said the school had stopped the loans in the Summer of 2020 after the issue had been identified internally. He noted the audit report was clear that there was no intention to defraud. All the loans had been repaid in full, bar one which was due to be paid in November of 2021. The school had been transparent and complied with the auditors. All of the recommendations had been implemented and were being monitored by the governing body. David Hughes added that he was very pleased with the response from the school.

Councillor Rowan Ree asked if the late payment of invoice issue flagged in the procurement section of the report was due to an oversight or a cash management issue. Alan Campbell said it was an oversight due to the high level of staff absence during the pandemic.

Councillor Ree noted there had been no contracts out to tender for the financial year and asked if that was a coincidence. Alan Campbell said it was, there were no tenders to report during that period. Robust tendering processes were in place.

Councillor Alex Karmel asked for assurance that the Council had checked with other educational establishments in the borough to ensure the misunderstanding about the Cycle to Work scheme hadn't been repeated elsewhere. David Hughes said the findings of the report had been shared with the schools' finance team.

Tony Burton (Head of Finance – Children's Services and Education) confirmed that any finding from audit reports were fully covered in the Scheme for Financing Schools and were covered in informal workshops with schools' business managers.

Jacqui McShannon (Director of Children's Services) confirmed that the headteacher, Alan Campbell, had been very open and transparent with the Council. She added that Children's Services shared information and learning across the department – including with a new governor support officer to ensure other governing bodies are aware of it.

Recommendation

The Committee noted the Final Internal Audit Report on Cambridge Special School.

5. EXTERNAL AUDIT PROGRESS UPDATE

Emily Hill (Director of Finance) introduced the item. External Auditors Paul Dossett and Ellen Millington (Grant Thornton) then gave a short presentation on the progress report.

Councillor Rowan Ree, asked for more information on the new value for money assessments noted in the report. Paul Dossett said the new approach required commentary on the arrangements in place to address three key areas – financial sustainability, governance, and economy, efficiency and effectiveness – and the adequacy of the arrangements in all three of those areas. In the first year, Grant

Thornton would look to establish a baseline about how the Council engages with internal audit, its counter-fraud arrangements, and its approach to risk management.

Councillor Ree noted that the external auditor's fee was 28 percent (£50k) higher than the previous year and asked if Mr Dossett thought that represented good value for money for the Council. Paul Dossett said the increased fee reflected the increased scope and complexity that the regulator required. The fees were set nationally, the increase was the same across all auditors.

Councillor Ree noted that there had been a fee uplift of 15% due to Covid and asked if that meant there would be a reduction once people were back in the office. Paul Dossett said if things returned to normal there would be a drop in fees.

Councillor Jonathan Caleb-Landy noted there were additional fees of around £30k from overruns. He asked how the auditor was notifying the Council of this and what would stop it happening again. Paul Dossett said they did communicate the overruns to the Council at the end of the process, but in future they would make sure a communication process was agreed with the Council beforehand. He added that it was difficult to pin down specific costs in the middle of an audit though.

Councillor Caleb-Landy asked what the obligations were on the Value for Money recommendations. Paul Dossett said the auditor would expect the Council to address 'key recommendations' but 'improvement recommendations' were the Council's decision.

The Chair asked the representatives from Grant Thornton about the rises in the level of fees and what was driving them. Paul Dossett said the move to more stringent auditing standards was being driven by the risks of internal fraud in the corporate sector. Councils were not incentivised in the same way to produce fraudulent accounts, but still had to comply with the standards.

Recommendation

The Committee noted the progress report and its findings.

6. TREASURY MANAGEMENT OUTTURN REPORT 2020/21

Emily Hill (Director of Finance) introduced the report presenting the Council's annual Treasury Management outturn for 2020/21, in accordance with the Council's treasury management practices. Mathew Dawson (Strategic Finance Manager – Treasury and Pensions) then gave a short presentation on the report.

Councillor Alex Karmel asked if it was correct that the Council's cost of borrowing was 3.76% and its return on investments was 0.26%. Mathew Dawson said as of last year that was correct, but the investment performance would have deteriorated since then because of the stance to stay in cash.

Recommendation

The Committee noted the report.

7. RISK MANAGEMENT HIGHLIGHT REPORT

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the report which provided an update on risk management across the Council.

Councillor Rowan Ree noted the climate change risk and asked how officers were determining risk in that area and if there was any best practice to follow. David Hughes said officers looked at work being carried out across London and nationally and the arrangements in place in the borough – both emergency planning to mitigate extreme weather events and efforts across departments to mitigate the Council's carbon footprint.

The Chair asked if the overarching climate change risk would be split up in future. Specific areas like flooding seemed to warrant their own separate entries. He also asked if any claims had been made against the Council related to recent flooding events. David Hughes said the Council worked very closely with Thames Water to actively monitor sewers and drains in the borough to see where there were potential pressures. He noted that Hammersmith & Fulham had seen fewer insurance claims than other boroughs in central London, but it may be a risk in future. The Environment department was looking at a range of mitigate measures to combat flooding.

Kim Smith (Chief Executive) endorsed the idea of disaggregating the climate risks. On the recent floods she noted that the Council had established a monthly Flooding Board which the Strategic Director of the Environment chaired. She offered a briefing on flood preparedness and mitigations to the committee.

ACTION: Sharon Lea

Councillor Jonathan Caleb-Landy asked how assured officers were of the Council's planning going into winter with Covid still an active risk in the borough. David Hughes said he was very assured on the Council's planning. Officers were doing everything they could. The Covid risk on the register was marked as high due to the uncertainty around the pandemic.

Lisa Redfern (Strategic Director of Social Care) said there were challenges – a lot more people were coming out of hospital with a great acuity of need and the pressure on care homes to admit was higher. The programme to vaccinate care home staff by 11 November was on track. However, the Social Care risk register had been updated to reflect the heightened worry about this winter.

Councillor Caleb-Landy noted the tragic loss of Michael Sloniowski and asked how the Council's risk function was operating with the role vacant. Lisa Redfern noted that her department held management meetings last week attended by the internal audit team. The Social Care team had kept a close monitor of the risk register and felt it was robust and continually being challenged and revised.

Councillor Alex Karmel asked for information on the funds budgeted or earmarked for Hammersmith Bridge. Emily Hill (Director of Finance) noted that the Bridge was a significant infrastructure and capital asset so any expenditure would come from the capital budget. She noted a recent report for initial stabilisation works. The total costs were £6m but the expectation was that the Council would be able to recoup a third of

the cost from the Department for Transport and another third from Transport for London. Detailed engineering reviews were also being undertaken and as they were concluded a business case would be put forward for further works.

Councillor Karmel noted that there were also significant revenue costs associated with the Bridge. He asked what the likely ongoing revenue costs were.

Emily Hill confirmed there were ongoing costs related to safety, but they had reduced from previous levels. Those costs were being met from contingency budgets.

Councillor Karmel noted that there had been a planning application for a ferry across the Thames which may have led to increased costs for the local authority. He asked if it had been withdrawn, given the Bridge had been reopened to pedestrians and cyclists. Emily Hill said the ferry would be the responsibility of Transport for London, not the Council, and would not place a financial burden on the local authority.

Recommendation

The Committee noted the report.

8. INTERNAL AUDIT PROGRESS REPORT

Moira Mackie (Head of Internal Audit) presented the report that summarised the work of Internal Audit in the period April to August 2021. She noted that good progress had been made in completing the audit work that started late in the last financial year due to the Covid-19 pandemic. Eight audits had been completed, two of which were substantial audits, and none were limited assurance. Audits in the 2021/22 plan had been delayed but work in several different areas had now started.

The Chair thanked the audit team for their hard work during the pandemic.

Recommendation

The Committee noted the report.

9. DATE OF THE NEXT MEETING

The committee meeting noted the date of the next meeting: 14 December 2021

Meeting started: 6.30 pm
Meeting ended: 8.00 pm

Chair

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