

Audit Committee Minutes

Monday 9 December 2024

PRESENT

Committee members: Councillors Patrick Walsh (Chair), Florian Chevoppe-Verdier, Lisa Homan, Adrian Pascu-Tulbure and David Morton

Other Councillor:

Councillor Alex Sanderson (Deputy Leader)

Officers:

Sharon Lea (Chief Executive)

James Newman (Assistant Director of Finance)

Mathew Dawson (Strategic Investment Manager)

Sophie Green (Treasury Manager - Hammersmith & Fulham)

Moira Mackie (Head of Internal Audit)

Andy Hyatt (Head of Fraud)

Tiffany Yip (Assistant Committee Coordinator)

1. APOLOGIES FOR ABSENCE

There were no apologies for absence.

Sharon Lea (Chief Executive) and Sophie Green (Treasury Manager - Hammersmith & Fulham) attended remotely.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

Matters arising

Further to the Annual Health and Safety Update considered at the last meeting on 6 November, a briefing note had been circulated to Committee members.

RESOLVED

The minutes of the meeting held on 6 November 2024 were agreed as an accurate record.

4. MID-YEAR TREASURY MANAGEMENT REVIEW 2024/25

Mathew Dawson (Strategic Investment Manager) introduced the Mid-year Treasury Management Review 2024/25, highlighting the following points:

- Between March and September 2024, there was no new borrowing and very small maturity. Cash balance diminished from around £160 million to £115 million.
- Hammersmith & Fulham was under borrowing as a local authority, with an internal borrowing of £239.3 million. There would be a need to borrow before the end of the financial year. The proposed duration was five to ten years at a rate of around 5%.
- About 80% of debt was Housing Revenue Account (HRA)-related.
- As cash balances had diminished, money market funds were kept as topped up as possible.
- The average return achieved on investments managed internally for the first six months was 5.21% compared with the average six-month SONIA rate of 5.25%, which meant the average portfolio duration would have been less than six months.
- Considering the Treasury Limits and Prudential Indicators, there was still room for the Council to borrow.

Councillor Adrian Pascu-Tulbure asked when the realisation for more borrowing came about and what the Council would be borrowing for. James Newman (Assistant Director of Finance) replied that borrowing was needed as cash balances had been reducing due to internal borrowing. There was an informal threshold of about £100 million at which point more borrowing would be done. Local governments could only borrow long-term for capital purposes. Given that the Council was currently under borrowing, it could borrow significantly beyond the current level. As the ratio between General Fund to HRA was around 20:80, the plan was to borrow more HRA money before the end of the financial year at an estimated rate of 4.45%, which was also factored into the HRA business plan in terms of affordability.

Councillor Lisa Homan would like to know how long the Council had been under borrowing. James Newman responded it had been a standard treasury strategy where a local authority had balances, it would internally borrow against those balances to minimise the cost of financing. It was noted that the Council had been in this position for a while.

Councillor Florian Chevoppe-Verdier commended the healthy financial situation of the Council and asked how the new government's intention to provide multi-year financial settlements would affect the Council's ability to budget and resource. James Newman replied that it would bolster and strengthen the ability to plan the cost of capital within revenue.

Cllr Chevoppe-Verdier followed up by asking if that would decrease borrowing by the Council. James Newman said the multi-year financial settlement would give more clarity over the Council's ability to finance and service debts, which would help officers estimate what could be afforded within capital and the borrowing needed.

Cllr Chevoppe-Verdier also enquired about the latest development in engaging with the Ministry of Housing, Communities & Local Government. James Newman noted that next year's financial settlement could be expected on 19 December. There was some lobbying for more certainty going forward from the sector with the Ministry, such as the Society of London Treasurers, a group of Finance directors in London boroughs.

RESOLVED

That the Committee noted the Treasury Management Strategy 2024/25 mid-year review.

5. INTERNAL AUDIT UPDATE 2024/25

Moira Mackie (Head of Internal Audit) introduced the Internal Audit Update. The team had finalised some of the work completed at the end of the last financial year and a number of audits from this year's plan, all of which had positive assurance opinions. She highlighted the election readiness audit, which was done in real time while the Council was preparing and undertaking the Greater London Authority Election and the General Election. This was a positive piece of work and despite the short gap between the two elections the service had excellent support from the Chief Executive and sufficient resources were available around the election days.

Councillor Lisa Homan commended the fantastic job done by Electoral Services in the elections and expressed her confidence in the team's ability to manage elections next year.

Councillor Florian Chevoppe-Verdier pointed out that the Council also provided accommodation for counting for the Royal Borough of Kensington and Chelsea and Westminster City Council, to which Moira Mackie said she received good feedback from the other boroughs on these arrangements.

Cllr Chevoppe-Verdier enquired if the finding that there was no issue with voter ID was considered from the perspective of the organisers or the residents. Moira Mackie responded that training was given to everyone who worked on the election to not just monitor people who had no ID but also who came back afterwards with correct ID. It was noted that most people returned and there was no known report of people not being able to vote. Cllr Chevoppe-Verdier requested this information be shared in the final report.

ACTION: Moira Mackie

Moira Mackie mentioned the new Global Internal Audit Standards, which would become operational from April 2025. An exercise was required to assess the effectiveness of the Audit Committee, which was an expectation of Standards, and she enquired if she could share a questionnaire with the Committee for self-evaluation with a view for a workshop in the future. This would help evaluate the effectiveness of the Committee and its findings would be reported to Full Council annually.

This was agreed by the Chair.

Cllr Homan asked whether the new standards required annual reports to Full Council. Moira Mackie answered that it was good practice for the Audit Committee to report on its work to Full Council and to identify any actions and opportunities. The Internal Audit team would be able to offer help after members had completed the questionnaire and would feed into the annual report following the workshop.

RESOLVED

That the Committee noted and commented on the report.

6. RISK MANAGEMENT UPDATE

Moira Mackie (Head of Internal Audit) introduced the report, which was about the progress of risk management across the Council, highlighting the ongoing work in updating the risk strategy with departments and senior leadership. Meanwhile, the Senior Leadership Team Assurance regularly reviewed the risk registers of different departments. The updated risk strategy and refreshed risk register would be presented to the Committee in March.

Councillor Florian Chevoppe-Verdier requested that the refreshed risk register be shared with the Pension Fund Committee so that risk registers across the Council could be presented consistently.

ACTION: Moira Mackie

Noting that the report had commented on the role of the Council's Policy and Accountability Committees as a source of robust and additional assurance for the management of risk across Council services, Councillor Lisa Homan suggested that the gaps in the work of the Committees and the ways risks were assessed in these Committees could be looked into further.

ACTION: Moira Mackie

The Chair noted that although the large size of the risk register had been raised by external auditors, the Committee had been assured that each risk was being assessed and those responsible for the risks were constantly aware of them.

Sharon Lea (Chief Executive) noted that risks and mitigation were taken very seriously in the Council and the corporate risk register had been consolidated where appropriate. The departmental risk registers fed into the corporate risk register and senior officers were aware of them and always had a strategy around mitigation. While it was important to take advice from people in the risk management industry, it was equally important that the Council identify and own the risks that were important to the residents, members and the organisation in these departmental risk registers.

RESOLVED

That the Committee reviewed, noted and commented on the report.

7. **CORPORATE ANTI-FRAUD SERVICE HALF-YEAR REPORT - 1 APRIL 2024 TO 30 SEPTEMBER 2024**

Andy Hyatt (Head of Fraud) introduced the report, which gave an overview of the counter-fraud activities that had been undertaken in the first six months of the financial year. The report also gave a summary of the reasons for case closure. Most cases were closed after finding a National Fraud Initiative data match, indicating no fraud and false positives. Activities were lower in some areas, which was not unusual given the summer holidays. It was also noted that eviction processes were influenced by resource issues for bailiffs.

One of the focuses of the team was tenancy fraud. While there were eight successfully recovered properties, there were more cases which were due to be heard in court. The Council's Director of Legal Services had reached out to courts to try and resolve this issue. There was reduction in Right to Buy and the team had resources to verify all the applications and carry out due diligence. Officers working on Right to Buy could soon move to support tenancy fraud checks.

The team was also planning to undertake some proactive work on temporary accommodation. There is someone working on inputting data from Hammersmith & Fulham, Westminster City Council and the Royal Borough of Kensington and Chelsea into the Fraud Hub, which would help target temporary accommodation fraud. The team was also working with Human Resources to explore using the Fraud Hub against the issue of dual working.

Sharon Lea (Chief Executive) expressed that social housing fraud was a serious issue because it was a loss of homes for families in need of accommodation. Despite efforts of the Fraud team, homes were not being recovered quickly enough due to backlogs in courts. It was a priority for the Council to lobby with other local authorities to cut down this backlog.

Councillor Lisa Homan asked what the situation was like in other London boroughs in relation to the backlog of housing issues in courts, and whether the tenancies identified were mostly housing associations or council tenancies.

On the first question, Andy Hyatt replied that the whole London was experiencing the same problems. Westminster City Council and the Royal Borough of Kensington and Chelsea were both struggling the same way with higher numbers. As part of the London Boroughs' Fraud Investigators' Group, he noted that there was an opportunity to lobby as a London voice and he was in contact with the Local Government Association as well.

On the second question, Andy Hyatt noted that a majority of the identified tenancies were council tenancies. There was also a memorandum of understanding between the Council and a number of housing associations stating that if there was a good enough case, the Council could offer investigative resources on the basis that if the

property was recovered, there would be an additional nomination of a property of the same size for the Council.

Cllr Homan enquired how many housing association cases might be missing. Andy Hyatt replied that he would explore this further and discuss with housing associations altogether.

ACTION: Andy Hyatt

Councillor Florian Chevoppe-Verdier pointed out that the structural failure in the justice system had prevented the fraud strategy to be implemented in full. It was noted that the upcoming Data Bill had a focus on tackling identity fraud, and the Council was being visionary for already carrying that work out. He also raised the issue of council housing being sublet and asked if there was anything the Council was doing to support innocent subtenants if there was a repossession.

Andy Hyatt replied that some of the subtenants were afraid of speaking out against their 'landlords' because of fear for personal safety. The team would link them with the Safer Neighbourhood team and the Housing department to point them to the right resources. The support that the Council could offer was often limited but Housing Solutions would try to help them as best they could.

Cllr Chevoppe-Verdier noted that there might not be an existing solution, but this issue was worth looking at as subtenants could find themselves without a home very quickly and it might be in the wider interest of the Council to help the subtenants find a place to stay.

Andy Hyatt noted that there was a case in another local authority where an agreement was made for six weeks. He assured that he would bring this to Housing colleagues and explore if there was any support they could offer, such as reaching out and giving the subtenants options as early as possible. It would also be beneficial from the anti-fraud perspective if those subtenants were more likely to cooperate with the Council.

ACTION: Andy Hyatt

Councillor Adrian Pascu-Tulbure asked if there was any developing trend of fraud that the Committee should be aware of. Andy Hyatt replied that lately it had been spotted that people were falsifying documentation to give themselves a new persona, such as fake utility bills. The team was exploring the use of technology in spotting these fraudulent documents. Apart from that, most types of frauds were traditional, such as doorstep frauds and general phishing.

Referring to an example in the report about a resident possessing two parking permits for the same vehicle, Cllr Homan asked if the permit was renewed fraudulently. Andy Hyatt said that the original permit holder moved out and had not cancelled it. It was more a prevention exercise than fraud detection.

Cllr Chevoppe-Verdier enquired if staff received trainings about recent trends in fraud such as deepfakes. Andy Hyatt responded that staff received regular training,

and the leadership was still learning and understanding deepfakes in order to identify how best to inform staff on the topic. The most useful advice would still be not to take anything at face value, double check with the source and verify with other approved sources. The Fraud Hub would allow all departments to carry out basic checks with data across all local authorities in the UK and with more updated information from the Hub. Therefore, the team's current focus was facilitating officers to use the Hub, which linked to parts of the anti-fraud strategy on helping people to understand what they could do when they identify fraud and how fraud occurred.

RESOLVED

That the Committee noted and commented on the report.

8. DATE OF NEXT MEETING

The Committee noted the date of the next meeting:

- 10 March 2025

Meeting started: 7.01 pm
Meeting ended: 8.12 pm

Chair

Contact officer Tiffany Yip
Assistant Committee Coordinator
Governance and Scrutiny
E-mail: Tiffany.Yip@lbhf.gov.uk