

London Borough of Hammersmith & Fulham

Audit, Pensions and Standards Committee

Minutes



Wednesday 14 March 2018

PRESENT

Committee members: Councillors Iain Cassidy (Chair), Vivienne Lukey, PJ Murphy, Guy Vincent, David Morton, Michael Adam, Nicholas Botterill and Donald Johnson

Officers: Kim Dero (Chief Executive), Hitesh Jolapara (Strategic Finance Director), Emily Hill (Head of Corporate Finance), Rhian Davies (Monitoring Officer), David Hughes (Director of Audit, Risk, Fraud and Insurance), Nick Austin (Director for Environmental Services), Lisa Redfern (Director for Adult Social Care), Prakash Daryanani (Head of Finance), Rachael Wright-Turner (Director for Public Service Reform), Geoff Drake (Senior Audit Manager), Mike Sloniowski (Risk Manager), and David Abbott (Scrutiny Manager)

External guests: Andrew Sayers (KPMG) and Jennifer Townsend (KPMG)

1. MINUTES OF THE PREVIOUS MEETING

RESOLVED

The minutes of the meeting held on 6 December 2017 were approved.

2. APOLOGIES FOR ABSENCE

Apologies for lateness were received from Councillor Michael Adam.

Apologies for absence were received from Councillor Mark Loveday.

3. DECLARATIONS OF INTEREST

There were no declarations of interest.

4. EXTERNAL AUDIT PLAN 2017-18

Hitesh Jolapara (Strategic Finance Director) introduced the report which detailed the plan of the Council's external auditor, KPMG, for the audit of the 2017/18 Statement of Accounts.

Andrew Sayers (KPMG) addressed the Committee and noted that the plan described how the auditor would deliver the financial statements audit opinion. The audit would

take place during June and July 2018 and the final accounts will be presented to the Committee in July 2018 to meet the earlier statutory deadline of 31 July 2018.

Andrew Sayers then drew the Committees attentions to those risks requiring specific audit attention:

- **Valuation of land and buildings** – due to their size and the judgements involved.
- **Pension liabilities** – again due to their size and the judgements involved.
- **Managed Services** – due to the history of control issues.
- **The faster close of accounts** – now that the deadline for the sign-off of the accounts was 31 July 2018 the increased pace of work required to meet that earlier deadline represented a risk.
- **Value for money** – there were no significant risks but the auditor would focus on financial resilience and contract monitoring.

Councillor Nicholas Botterill questioned the rigour of the audit of the teachers' pension contribution return – given that the auditor was charging just £3,750 to cover contributions in the millions. Andrew Sayers noted that this was an area with agreed upon procedures and the fee reflected the work required.

Councillor David Morton asked what the consequences of not completing the audit by the agreed deadline were for the authority. Andrew Sayers said the Government publicised authorities that didn't meet the date so there was potential reputational damage. Hitesh Jolapara added that, last financial year, H&F closed its accounts early as a trial run and he was very confident that the authority would close its accounts by the end of May. Andrew Sayers agreed and said he was confident that KPMG would be able to deliver their audit by 31 July.

Councillor PJ Murphy noted that this was the last year of KPMG's contract and asked if the Council would be going out to tender for a new contract shortly. Hitesh Jolapara noted the Council had used Public Sector Audit Appointments to procure Grant Thornton to auditing the following year's accounts. Councillor Murphy asked what their fees would be and how they compared to the current fees, and to fees in other comparable London boroughs. Emily Hill (Head of Corporate Finance) noted that next year's fees represented a reduction of 23 percent compared with this year's fees – and further information would be provided after the meeting.

ACTION 1: Emily Hill

The Chair (Councillor Iain Cassidy) asked what the additional non-audit fee of £7,000 on page 20 related to. Andrew Sayers said this was H&F's element of the fee for an on-site visit to the BT managed services centre and additional control work carried out there. The Chair suggested BT should pay that fee.

Councillor Donald Johnson asked if very Council had to have the same risk around land valuation or if it was just H&F. Andrew Sayers said all Councils with significant housing stock should have that risk due to the size of the balance involved and the complexity of the area.

Councillor Nicholas Botterill, referring to the risk around management override of controls, asked if cost assessment should also be a risk. Andrew Sayers said the auditor did look at year-end invoices and levels of accruals etc.

RESOLVED

That the Committee noted the 2017/18 Audit Plan as put forward by KPMG in Appendix 1 of the report.

5. MEMBERS' CODE OF CONDUCT - MONITORING OFFICER'S UPDATE

Rhian Davies (Monitoring Officer) presented the report advising the Committee of complaints received since March 2017 and a consultation being undertaken by the Committee for Standards in Public Life as part of their review of ethical standards in local government.

The Monitoring Officer would write to all Councillors inviting them to comment on the consultation – then a draft response would be circulated to the Committee seeking further comments before the Council submitted its final response by the closing date of 18 May 2018. Once the Committee on Standards in Public Life has concluded its review and made recommendations the Committee will be asked to consider those recommendations and to propose any changes to the Code.

RESOLVED

That the Committee noted the report and asked the Monitoring Officer to contact Councillors for feedback on the consultation as soon as possible.

6. INTERNAL AUDIT QUARTERLY UPDATE

David Hughes (Director of Audit, Risk, Fraud and Insurance) presented the report that summarised internal audit activity during the period 1 October to 31 December 2017. He noted that there were six audit recommendations outstanding and an updated list of those recommendations (Appendix E) had been tabled.

Recommendation 1 had been completed since publication of the agenda. Nick Austin (Director for Environmental Services) was in attendance for recommendations 2 to 5. Regarding recommendation 2, future facilities management models were being discussed, including using the current in-house CCTV monitoring of the Council's streets to include 'on building' CCTV. Nick Austin assured members that the outstanding actions would be completed by the next Committee meeting.

Councillor PJ Murphy noted that at the Finance & Delivery Policy and Accountability Committee they had discussed senior manager's appraisals and 70-80 percent were reported as 'exceeding expectations'. But, with so many outstanding recommendations there seemed to be a disconnect between the appraisals and operational performance and delivery. He asked that this be flagged with the senior leadership team.

ACTION 2: Mark Grimley

Jo Rowlands reported to the Committee that recommendation 6, concerning planning enforcement, would be completed once the Local Enforcement Plan as approved at Cabinet in June.

Councillor Guy Vincent asked for the audit report 'MITIE Repairs Walkthrough' to be circulated to the Committee.

ACTION: Geoff Drake

RESOLVED

That the Committee noted the report.

7. LIMITED ASSURANCE REPORT – ADULT SOCIAL CARE – ACCOUNTS RECEIVABLE

Lisa Redfern (Director for Adult Social Care) and Prakash Daryanani (Head of Finance) presented the limited assurance report. Lisa Redfern noted that the issues raised in the report were due to problems with BT managed services and Agresso that meant a very small team had to manually deal with a huge volume of invoices across the three boroughs. Since the audit the team had reduced the debt by 38 percent and the action plan had been completed – apart from two BT dependent actions which the Finance team were following up. The automatic processes that were supposed to have been in place since the beginning of the contract had only just gone-live the day of the meeting.

Councillor Guy Vincent asked what was the average debt that the service carried at any one time. Prakash Daryanani said the current outstanding debt (as of the end of February) was £1.1m. Councillor Vincent asked that the oldest debt was. Prakash said circa £500k of that was over one year old and the team was reviewing the option of write-offs. Councillor Vincent asked if the department should tighten up its debt controls. Prakash agreed they should, and now that the automatic processes were in place, staff would have more time to focus on that.

Councillor PJ Murphy asked how much of the debt was recoverable and how long it would take to recover it. Prakash Daryanani said he would circulate information on this to the Committee.

ACTION 3: Prakash Daryanani

Councillor PJ Murphy asked what the position was like before BT managed services. Prakash Daryanani said prior to BT the service used Abacus and invoicing was consistent and reliable. He would circulate more detailed comparative information to the Committee.

ACTION 4: Prakash Daryanani

Lisa Redfern made a commitment that after April, when H&F became a sovereign borough again, she would review the debt on a monthly basis and significantly tighten the controls over debt management and recovery.

8. LIMITED ASSURANCE REPORT – CONTRACTOR RESILIENCE

Rachael Wright-Turner (Director for Public Service Reform) presented the report and reported to the Committee that the recommendations related to improving

compliance with controls and procedures, centralisation of procurement and managing supplier resilience, and ensuring departments were complying with the Council's requirements with regards to contractor resilience. She noted that the department had spent time reviewing corporate guidance, standards, and advice to departments – and were planning to carry out further dip-sampling and testing. A number of improvements had been made, including getting the information in the corporate procurement system up to date and improving data quality. She said she would report back to the Committee at a future meeting on progress completing the actions in the report.

Councillor Michael Adam stressed the need for regular health checks of contractors – there shouldn't just be a one-off test at the procurement stage. Rachael Wright-Turner agreed and said regular monitoring would take place. David Hughes added that the Council did monitor a range of credit alerts on key suppliers and if there were particular concerns officers would take action. Councillor Adam said this had to be built into the contracts from day-one. Rachael Wright-Turner said her department would check the terms and conditions of contracts and ensure it was written in going forward.

Councillor Nicholas Botterill said the key to making this area work was ensuring the interests of both parties were aligned. Officers should have regular contact with its suppliers.

Councillor PJ Murphy noted that the Council had 300 contracts and 125 contractors – and asked if that was too many and hard to manage. Rachael Wright-Turner said it was a consequence of the local authority's broad range of service lines. She added that there was now an opportunity to look across those service lines and understand where one contractor was delivering for multiple departments so the Council could be more strategic. This was an area where officers expected to release efficiencies over the coming years.

Councillor PJ Murphy, referring to Appendix 1 of the report, said there needed to be more rigour in terms of the internal processes. He felt there wasn't enough of a grip on contract checking and monitoring. Rachael Wright-Turner said it was both about ensuring officers were properly recording activity on the system and changes within the range of officers working with contracts. With the new centralised approach these aspects should improve.

The Chair asked officers to come back to the Committee to report on progress.

ACTION 5: Rachael Wright-Turner

9. RISK MANAGEMENT UPDATE

David Hughes (Director for Audit, Risk, Fraud and Insurance) presented the report that updated the Committee on risk management within the Council including the Corporate Risk Register.

Councillor Guy Vincent commented that the work of the Chief Executive and the Director for Audit, Risk, Fraud and Insurance seemed to be raising the profile of risk within the organisation which was very encouraging to see.

Councillor PJ Murphy noted that it seemed counter-intuitive that – with continual reductions in Government funding and increased pressures in ASC and other areas – the risks weren't increasing. He asked officers for a sense-check on that.

Councillor Murphy also felt it was surprising that risk 9 concerning the failure of major contractors didn't increase following the failure of Carillon and other issues in the sector.

Mike Sloniowski (Risk Manager) said officers had been actively monitoring the health of major contractors and were sharing alerts with contract managers and the central procurement team. The Council's business continuity manager had also put on a number of workshops with service departments specifically around supply chain issues.

Councillor Murphy asked, if MITIE went into administration tomorrow, was there sufficient capacity to keep services running? Mike Sloniowski replied that service continuity and resilience arrangements had improved substantially and supply chain issues were being codified in service guidance and plans. By the end of March all arrangements should be updated and in place.

Councillor Michael Adam asked why financial management had jumped two notches within a quarter. Mike Sloniowski said it was due to an enhanced description of controls and recognition of risk reporting embedded in Corporate Revenue Monitoring reporting. Hitesh Jolapara added that risk 1 should be medium as money was getting tighter and the financial environment was increasingly difficult.

Councillor Nicholas Botterill asked why the coroner office risk was so high. Nick Austin said the risk referred to the large backlog of cases due to the suspension of the coroner. He noted that a service improvement plan was in place and officers were working with the Chief Coroner to resolve this issue.

RESOLVED

That the Committee reviewed and commented on the contents of the report and the Corporate Risk Register.

10. INTERNAL AUDIT PLAN 2018-19

David Hughes (Director for Audit, Risk, Fraud and Insurance) presented the report that outlined the Internal Audits planned to be undertaken in 2018-19. The Audit Plan included sufficient audit coverage to enable the Council to provide an overall opinion on the Council's control framework.

Councillor Nicholas Botterill asked for an update on GDPR, the new data protection regulations. David Hughes said H&F had a good programme in place to make officers aware of the changes required to internal systems and processes. Given the

scale of the potential fines officers would be carrying out deep-dives in high risk areas like Children's Services and Adult Social Care.

RESOLVED

That the Committee noted the contents of the Internal Audit plan for the 2018/19 year.

11. ANNUAL GOVERNANCE STATEMENT ACTION PLAN AND OUTSTANDING RECOMMENDATIONS

Hitesh Jolapara (Strategic Finance Director) presented the report that summarised progress on implementing recommendations arising from the 'External Audit Report 2016/17' and the Annual Governance Statement.

RESOLVED

That the Committee noted the report.

The Chair noted that this was the last meeting for Councillors Vivienne Lukey, Nicholas Botterill, and Michael Adam. On behalf of the Council, he thanked them for their hard work and dedication over the years and wished them well in their future endeavours. He then took a moment to thank Geoff Drake who was retiring later this year. He had worked with the Committee for many years and would be a great loss to the organisation. The Committee thanked him for his service and wished him well in retirement.

Meeting started: 7.00 pm
Meeting ended: 8.40 pm

Chair

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