

London Borough of Hammersmith & Fulham

# Audit and Pensions Committee

## Minutes



**Monday 16 December 2019**

### **PRESENT**

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

**External Guests:** Paul Dossett (Engagement Lead, Grant Thornton) and Keyasha Pillay (Engagement Manager, Grant Thornton)

### **Officers:**

Kim Smith (Chief Executive)

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

Mike Sloniowski (Risk Manager)

Emily Hill (Assistant Director, Finance)

Phil Triggs (Director of Treasury and Pensions)

Andrew Hyatt (Head of Corporate Anti-Fraud)

Paul Barton (Head of Corporate Safety)

Matt Sales (Assistant Director, Programmes and Assurance)

Dawn Aunger (Assistant Director, People and Talent)

Lisa Redfern (Strategic Director of Social Care)

David Abbott (Scrutiny Manager)

### **1. MINUTES OF THE PREVIOUS MEETING**

#### **RESOLVED**

The minutes of the meeting held on 24 September 2019 were agreed as a correct record.

### **2. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

### **3. DECLARATIONS OF INTEREST**

There were no declarations of interest.

#### **4. EXTERNAL AUDIT PROGRESS REPORT**

Paul Dossett (Engagement Lead at Grant Thornton) presented Grant Thornton's audit progress report and sector update.

He highlighted the following key points from the report:

- Grant Thornton issued their opinion on the Council's 2018/19 Statement of Accounts on 31 July 2019.
- The only outstanding element was the certification of claims and returns. Certification of the Council's annual Housing Benefit Subsidy claim was delayed by systems issues so the final position would be presented to the Committee in the new year.
- Grant Thornton had prepared a response to the Redmond Review, which was looking into the future of local public audit and financial reporting. The review was driven by concerns over the length and complexity of local government accounts. The review was due to report in Summer 2020.

Committee members, in reference to the slides on recruitment and retention (pages 24 and 25 of the agenda), asked how the public sector team's turnover figures related to the firm's general staff turnover rate. Paul Dossett said it was harder to retain staff in the public sector team than the corporate sector teams.

Councillor Jonathan Caleb-Landy noted that the report said austerity had reduced local authorities' ability to produce high-quality accounts and working papers - and asked if that was an issue in Hammersmith and Fulham. Paul Dossett said austerity had meant finance departments were more constrained - and as accounts became more technical there were fewer people with the specialist skills necessary. He added that the position in Hammersmith and Fulham was stronger than average - by some margin. That had meant Grant Thornton were able to sign off the account earlier. Many councils in London had still not had their accounts signed off.

Councillor Alex Karmel asked if Grant Thornton's response to the Redmond Review was a national response or if it was specific to H&F. Paul Dossett said it was a national response.

Paul Dossett explained that since the abolition of the audit commission there was no single body that supervised the whole system. Now there were a number of different organisations with different interests. Grant Thornton's view was that whole system oversight was needed.

Councillor PJ Murphy, in reference to page 29 of the agenda, asked why accounts were more complex now. Paul Dossett said it was mainly due to the introduction of IFRS, a very complex set of accounting standards. Councillor Murphy asked for an explanation to be included in the report.

Paul Dossett added that reductions in Government funding had led to an increase in local authorities setting up joint ventures, companies, making more complex investments etc. which all had to be accounted for. Councillor Murphy asked that this

point be made under the austerity section - to show the cause and effect of central government funding reductions.

Councillor PJ Murphy asked that Grant Thornton explain in the response how the proposed rebasing of the audit fees would be funded - i.e. local authorities should receive additional money from central government. Paul Dossett said he didn't feel it was the remit of the auditor to say where the money should come from.

Councillor Alex Karmel, referencing the historical comparison on page 22 of the agenda, noted that the 2008/09 figure for Birmingham City Council's scale fee and audit fee totalled £1m. He suggested if the figure was adjusted for inflation it would be around £1.2m. He also noted that some of this fee would have funded central functions that the audit required. Councillor Rebecca Harvey asked what the like-for-like figure would be. Paul Dossett said it would be around £500,000 to £550,000.

Councillor PJ Murphy asked why firms kept bidding on public sector business if the fees were unsustainable, as the report suggested. Paul Dossett said Grant Thornton bid two years ago and the regulatory environment had changed radically in the last 18 months. He added that the 2017/18 fee was set at a sustainable level given the environment at the time.

Paul Dossett informed the Committee that, in the corporate sector, fees had increased by 25 to 30 percent. NHS bodies had seen increases of around 15 percent on last year's fees. A number of NHS trusts are only receiving one or two bids, even at higher prices, because the regulatory environment has changed so much.

Councillor PJ Murphy said he felt the response should include something about what Grant Thornton have had to do to streamline processes as the Council has. Paul Dossett said the full, detailed response covers some of those things around the use of technology and efficiency improvements. He said he would share the full response with the Committee.

**ACTION: Paul Dossett**

## **5. TREASURY MANAGEMENT STRATEGY MID-YEAR REVIEW**

Phil Triggs (Director of Treasury and Pensions) presented the treasury management strategy mid-year review and highlighted the following points:

- As at 30 September 2019 net cash invested was £135m.
- Since the Earl's Court payment, the figures in the report had changed substantially - total cash invested was down to £254.2m.

Councillor PJ Murphy asked if the figures would be rebased in future so they were like-for-like. Phil Triggs said they would be.

Phil Triggs then highlighted the following points from the report:

- Page 42 showed the cash investment breakdown. The strategy was to look first at security, then liquidity, then yield. The yield had fallen from April to September - the run up to the election had produced a great deal of

uncertainty but since the election had concluded the environment had strengthened.

- Page 43 showed that borrowing had stayed constant at £213m. There was no additional borrowing during this financial year.
- The Public Works Loan Board had ramped up interest by 1 percent in response to record outflows of borrowing in August and September.
- The Council was internally borrowing £125m of internal reserves to fund previous years' capital expenditure.

Councillor PJ Murphy asked for an explanation of the upper and lower limits on the maturity profile of borrowing table on page 45. Phil Triggs said the upper limit was 10 years and above - anything under has to be 15 percent.

Councillor Alex Karmel commended the Treasury team for their work, especially given the recent period of uncertainty.

## **RESOLVED**

The Committee noted the report.

## **6. CORPORATE HEALTH AND SAFETY MID-YEAR REPORT**

Paul Barton (Head of Corporate Safety) presented the corporate health and safety mid-year report and highlighted the following key points:

- Corporate H&S policy was revised following disaggregation from shared services
- After the disaggregation there had been a re-alignment of the service to provide a more general service across the authority - but some specialisms had been retained, around schools for example.
- In the period covered by the report, no enforcement action had been taken against the Council and all audits were on target.

Councillor Iain Cassidy asked why there had been such a significant increase in violent incidents in libraries and archives. Paul Barton said it could have been that the reporting culture was improving. The audits in the first half of 2020 would provide more detailed analysis.

He added that more staff were aware of the reporting mechanisms and knew they should be reporting all threatening incidents.

Councillor PJ Murphy asked if changes in reporting culture were also behind the increase in incidents in Housing and Regeneration. Paul Barton said Housing was a higher risk area and so the figures were perhaps a better reflection than the libraries and archives figures. Paul Barton said officers wouldn't know if the reporting culture has plateaued until the next financial year.

Councillor PJ Murphy asked if there was any informal feedback from the Housing department. Paul Barton said it was fair to say there had been an increase in threatening behaviour towards officers - that was picked up by our audits and the trade unions. The service was looking at measures, including conflict and resolution training.

Councillor Alex Karmel asked if the Council was taking adequate steps to ensure its staff were protected. Paul Barton explained that they held monthly reviews of operational risk registers - which meant officers had a much better idea of what needed to be done quickly in specific areas.

Councillor Karmel asked Paul Barton if he was happy that the Council was taking the right steps. Paul Barton said the Council was taking the right steps.

Councillor Rebecca Harvey, referring to page 58, asked if the 15 violence and intimidation incidents in Housing and Regeneration were due to one person causing a number of incidents or a number of people causing single incidents. She said it would be helpful in future reports to give context. Paul Barton said there was a register of violent people used to keep staff informed.

The Chair said, based on his experiences, the Council was not particularly effective at preventing people on the violence register from attending public events. Given the relocation to new buildings, were the receptions - often not council staff - briefed on the register? Paul Barton said he would follow up after the meeting.

**ACTION: Paul Barton**

Kim Smith (Chief Executive) reassured members that no one could get on to the floors occupied by the Council without a security pass. In the Clockwork Building people needed a security fob to activate the lift and get on to the floors. Officers also encouraged a culture of checking credentials for additional assurance.

Councillor Jonathan Caleb-Landy, referring to page 59, noted that it seemed as though a lot of cases, both in Library and Archives and Housing, were currently open. He asked what the process to investigate and resolve those cases was and how long they normally took to resolve.

Paul Barton said once an investigation was opened it was the line manager's responsibility to undertake an investigation and close it on the system. If it was not resolved in 30 days then it was referred up. Investigations could take quite a long time.

Councillors asked how long harassment cases took to resolve. Paul Barton said if it involved putting the perpetrator on the register it took around 2 weeks. Referring the victim to the Council's wellness centre would take a few weeks. There were no specific targets for turnaround - cases could last a few days or a few months. Councillor Caleb-Landy said this felt like something the Committee should keep track of - including any other metrics that gave an insight of how the Council was performing in this area.

**ACTION: Paul Barton**

Councillor PJ Murphy, in reference to the violence and intimidation incidents on page 61, asked if any of the incidents had been reported to the police or resulted in prosecutions. Paul Barton said all of the listed incidents had been reported to the police. He didn't know if any had resulted in prosecutions but said he would check.

**ACTION: Paul Barton**

Councillor Rebecca Harvey noted that the table on page 61 included 32 incidents categorised as 'other / not known' and warned this might skew the figures. Paul Barton noted that officers were in the process of upgrading the Council's accident and reporting system. There would be a much more comprehensive list soon and the team were aiming to reclassify these incidents.

The Chair asked if the team looked at accidents when staff were travelling to and from work. Paul Barton said officers did look at that for risk registers. The Chair made the point that road safety was the biggest risk for the average office worker - and asked officers what more the Council could do to address the issue. Paul Barton assured members that officers do look at these issues when carrying out risk assessment reviews.

Councillor PJ Murphy asked if the Council had a policy on handsfree devices for phones in cars. Officers said they supported that but weren't sure if it was in the current fleet policy. Officers to follow up after the meeting.

**ACTION: Paul Barton**

The Chair asked, how good was the Council's working relationship with its new building managers. Paul Barton said there was a very good dialogue. Kim Smith added that the previous buildings had numerous serious issues and, in contrast, the general response to the new premises was a 'universal thumbs-up'. Overall there had been a much more positive conversation from staff about the support on offer - both personally and in teams.

**7. ANTI-FRAUD MID-YEAR REPORT**

Andrew Hyatt (Head of Corporate Anti-Fraud) presented the report on counter-fraud activity for the first half of the year and highlighted the following points:

- The table on page 94 of the agenda gave a like-for-like comparison with the previous year - showing major improvements, particularly in detection and deterrence work undertaken.
- Since April 2019 the service received three referrals via the whistleblowing process. All had been investigated, with two on-going.
- There had been more of a focus on tenancy fraud - officers had started attending housing forums which had led to useful conversations and suggestions from them around the medium of reporting fraud. In response, the team had started to put out small leaflets with additional routes in to provide information.

Councillor Rebecca Harvey, referring to 5.19 of the report, asked how many of the 55 blue badge 'fraud or error' were error compared with fraud. Andrew Hyatt said a large number would be cases where people had passed away but the family hadn't handed the badge back. In these cases, officers contacted the families – sensitively – to ask that the badge be returned.

Councillor PJ Murphy asked if this was linked with information from the registrar's office. Can the team access that information? Andrew Hyatt said they did - it was part of the 'tell us once' process - but if people passed away in other areas then it had to wait until the national data-matching exercise.

Councillor Rebecca Harvey asked how many of the housing benefit 'fraud and error' cases were confirmed errors. Andrew Hyatt said he would check with colleagues in the revenues and benefits team.

**ACTION: Andrew Hyatt**

Councillor Alex Karmel, in reference to the section on tenancy fraud (page 94), questioned why the values assigned for tenancy fraud (around £14k) were so low. Andy Hyatt said the figures were based on a 12 month value. Councillor Karmel said he would like to know the total values - particularly for cases over long periods. The full historical figures might give greater incentive to take action. Andy Hyatt reassured members that, where the Council took proceeds of crime action, officers always tried to find the total figure across the entire length of the fraud.

Councillor PJ Murphy asked why there had been such a significant decrease in Right-to-Buy fraud. Andrew Hyatt said the note at 5.14 explained the decrease - there had been a general decrease in the number of people applying for Right-to-Buy. Housing fraud was down too though that was largely a case of what gets referred to the team.

Councillor Rebecca Harvey commented that the recovery of one four-bedroom and four three-bedroom properties (in high demand by families needing support and assistance) was very welcome and thanked officers for their work.

## **RESOLVED**

The Committee noted the report.

## **8. ANTI-FRAUD POLICY REVIEW**

Andrew Hyatt (Head of Corporate Anti-Fraud) presented the anti-fraud policy review, noting that there were no material changes. There was a small change to the anti-bribery paper - a section had been added on further support to employees, signposting staff to the Council's Employee Assistance Programme that offers free counselling and resources to help with work or personal issues.

The Chair asked if there was anything coming in the near future that may require further changes - e.g. online fraud, money laundering etc. Andrew Hyatt said the key thing was education for employees and the team were working with People & Talent on training packages for staff. E-learning packages were being developed by the team that had the potential to be sold to other authorities. The areas of highest risk would also be complemented with in-person classroom training.

Councillor Alex Karmel suggested that officers insert the word 'unduly' after '...attempts to' in the first line of paragraph 8.1 on page 117.

## **RESOLVED**

The Committee approved the updated anti-fraud policies, subject to the change to paragraph 8.1 noted above.

## **9. RISK MANAGEMENT HIGHLIGHT REPORT**

Mike Sloniowski (Risk Manager) took a moment to welcome Paul Barton to the Council's Health and Safety team. He noted that since disaggregation Paul had built the new team from the ground up and had already made a big impact.

Mike Sloniowski then presented the risk management highlight report and drew the Committee's attention to the following points:

- This had been a very active period with a lot of work around London-wide resilience related to Brexit.
- Mike was now attending the Civic Campus Programme Board following the Committee's recommendation.
- The Council had refreshed its Governance arrangements - increasing financial thresholds for decision making.
- The Renovation of Hammersmith Bridge (risk 33) featured additional information requested at the previous meeting.

David Hughes (Director of Audit, Fraud, Risk and Insurance) encouraged members to highlight areas from the risk register for future detailed reports.

Councillor Alex Karmel raised a point he had also raised at the previous meeting around the possible bailey bridge. He asked again if members could have details about the new proposals.

**ACTION: Mike Sloniowski / Sharon Lea**

Kim Smith noted that there was a new director of Children's Services - Jacqui McShannon - who would be focused on Children's Services key risk areas around placements and the high needs block budget.

Mike Sloniowski thanked the elections team who ran the recent general election on very short notice and across multiple sites. Councillor PJ Murphy added that he thought the election had been very well run - he saw the inspection team in action at a polling station. Officers thanked Councillor Murphy for the feedback and would pass it on to the elections team.

## **RESOLVED**

The Committee noted the report.

## **10. INTERNAL AUDIT QUARTERLY UPDATE**

David Hughes (Director of Audit, Fraud, Risk and Insurance) presented the internal audit quarterly report and noted that, for the third time running, there were no limited assurance reviews. He added that the report summarised audit work undertaken since the previous report and followed up on a number of actions.



The Chair noted that the section on the Council's 'Ruthlessly Financially Efficient' priority was very helpful.

Councillor Rebecca Harvey said it would be helpful to have timescales against the actions reported for completed audits.

**ACTION: David Hughes**

**RESOLVED**

The Committee noted the report.

**11. DATES OF FUTURE MEETINGS**

The final meeting of the municipal year was scheduled to take place on 11 March 2020.

Meeting started: 7.00 pm  
Meeting ended: 8.25 pm

**Chair** .....

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