

Audit Committee Minutes



Tuesday 15 March 2022

PRESENT

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

Officers:

Sharon Lea, Interim Chief Executive
Emily Hill, Director of Finance
Lisa Redfern, Strategic Director of Social Care
Jacqui McShannon, Director of Children's Services
David Hughes, Director of Audit, Fraud, Risk and Insurance
Moir Mackie, Head of Internal Audit
Glendine Shepherd, Assistant Director of Housing Services
David Abbott, Head of Governance

Guests

Paul Dossett, Partner at Grant Thornton

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Alexandra Sanderson and Matt Thorley.

Apologies for lateness were received from Councillor Jonathan Caleb-Landy who entered the meeting at 7.13pm.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

Matters arising

Councillor Alex Karmel noted that a report on cyber-security was due to be considered but had not appeared on the agenda. David Hughes apologised and said it would come to the following meeting.

ACTION: David Hughes / Veronica Barella

RESOLVED

The minutes of the previous meeting held on 14 December 2021 were agreed as an accurate record.

4. STATEMENT OF ACCOUNTS 2020/21, INCLUDING PENSION FUND ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT

Emily Hill, Director of Finance, presented the report on the Council's Statement of Accounts for 2020/21, including the Pension Fund Accounts and Annual Governance Statement. She noted that it was an unusual year due to the Covid pandemic which had led to a large number of variances.

Paul Dossett, Partner at Grant Thornton, talked members through the detail of the accounts. He noted the significant amount of additional work that had to be done because of the pandemic and the complicated grants regime.

The Chair asked if the delays obtaining information from the Council was an issue specific to H&F or if it was due to Covid and working from home arrangements. Paul Dossett said it was an issue Grant Thornton had found everywhere. It was partly due to working arrangements. Auditing remotely had been a challenge for both auditors and council officers, but the delays at H&F were relatively minor when compared with other authorities.

The Chair asked if the issue raised on page 149 regarding access to the pension administration system hosted by Surrey County Council has been resolved. Paul Dossett said there had been challenges but they had been resolved.

Councillor Alex Karmel noted the discussion about the difficulties of doing an audit remotely and asked if there were any assurance tests that couldn't be done remotely. Paul Dossett said doing an entire audit remotely was not ideal. The intention for the 2021/22 audit was to have a mix of on site and remote work. But he said he was confident the remote audits had been robust in the previous 2 years.

Councillor Rowan Ree asked if there was anything the auditor hadn't been able to check or verify due to the remote nature of the audit. Paul Dossett said there hadn't been any restrictions on their audit procedures.

Councillor Karmel asked about the impact of the potentially huge capital liabilities related to Hammersmith Bridge on the accounts. Emily Hill explained that any future repair costs associated with the bridge were not liabilities in accounting terms. As money was spent on the bridge it would be added to the historic cost of the asset.

Councillor Jonathan Caleb-Landy asked for updates on the following issues raised in the action plan:

- Issues with the employee leaver process leading to employees getting paid more than they should because the leaving date hadn't been properly communicated.
- Issues with debtors and creditors due to a new system.

Emily Hill said regarding debtors and creditors, there was a difference in the way IBC (the Council's HR and finance system) reported control account debtor and creditor balances. Officers and the auditors have discussed taking a different approach to take this into account and give greater audit assurance. The new process will be in

place for the 2021/22 audit. Regarding employer leaver forms – officers were working with IBC on retrospective pay actions, and with managers to ensure correct information is provided in a timely manner.

Councillor Caleb-Landy noted there were five recommendations in the accounts and felt that was a testament to the great job that the finance team had been doing. He asked how many recommendations there would be in the average council audit report, and if there were any of particular concern. Paul Dossett said five recommendations was low for a complicated authority and was a positive reflection on the control environment. There was also only a small number of adjustments to the accounts. Regarding the issues raised – the issue with the leaver form was very common.

Councillor Karmel noted the headline figure on legacy balances showed a high volume and asked if those were small or large sums, and their rough value. Paul Dossett said they were largely small transactions. Emily Hill added that officers had reviewed a lot of them and many of them were current and didn't need writing off.

Councillor Ree asked for clarification on the process around the outstanding value for money letter. Paul Dossett said the National Audit Office had effectively decoupled the value for money work from the opinion on the accounts. The procedure is that the value for money work had to be issued within three months of the accounts being signed off. The substantive value for money work will come back to Audit Committee and to Full Council.

The Chair thanked to Emily Hill and her team and Paul Dossett and the auditors for their hard work.

RESOLVED

1. The Committee noted the content of the external auditor's 'Audit Findings Report' (ISA260), including the auditor's findings, recommendations, and the Council's response to those recommendations (Appendix 2).
2. The Committee approved the 2020/21 Annual Governance Statement, included in the Statement of Accounts (Appendix 1).
3. The Committee approved the 2020/21 management representation letters (Appendices 3 and 4).
4. The Committee approved the Statement of Accounts for 2020/21, including the Pension Fund Accounts (Appendix 1).
5. The Committee approved the Pension Fund Annual Report 2020/21 (Appendix 5).
6. The Committee noted that the accounts remain 'unaudited' until final sign-off by the external auditor.

7. The Committee delegated authority to the Chair of the Audit Committee, in consultation with the Director of Finance to approve any further adjustments to Appendices 1,3, 4 and 5 which may be required as part of the completion of the audit work.

5. **INTERNAL AUDIT PROGRESS REPORT (DECEMBER 2021 TO JANUARY 2022)**

Moira Mackie, Head of Internal Audit, introduced the report that summarised the status of work in the 2021/22 Internal Audit Plan as at the end of January 2022. She noted that fourteen audits had been finalised, one of which received a substantial assurance opinion, ten receiving satisfactory assurance and three receiving limited assurance.

The Chair asked why parts of appendix six had been redacted. Moira Mackie said some references to specific companies, sites and shift patterns had been removed to avoid being able to identify individuals.

The Chair noted that the percentage of decanted tenants returned to their property within the projected work time scale (page 414) was very low compared to the target and asked how it would be managed going forward. Glendine Shepherd, Assistant Director of Housing Services, said the decant team would continue to monitor the process and try to minimise the stay in decant accommodation. Performance was reported monthly, and any issues were escalated to Mark Meehan (Chief Housing Officer) and Jon Pickstone (Strategic Director of Economy).

The Chair asked who was responsible for the performance indicator. Glendine Shepherd said it fell under the repairs service who were responsible for carrying out the works. She added that this work was being managed as part of the repairs improvement plan.

Councillor Alex Karmel asked if the emergency decant of Hartopp and Lannoy Points fell under the performance indicator. Glendine Shepherd said they were permanent decants and weren't included in those numbers.

Councillor Rowan Ree asked if the review into ransomware in part two of the internal audit plan had started – and if it would consider the heightened security risks due to the Russian invasion of Ukraine. Moira Mackie said the review was mid-way through. David Hughes said national guidance had been circulated to IT teams across the Country to make them aware of the increased risks. Councillor Ree asked for an update to be provided to members.

ACTION: Moira Mackie / David Hughes

Councillor Ree asked why the planned audit of Transformation, Talent and Inclusion was no longer taking place. Moira Mackie said the plan was a rolling plan and that area no longer had significant risk attached to it, so it was being removed to prioritise a higher risk area. After discussions with services, officers were confident they had robust monitoring in place.

Councillor Ree asked if officers were confident there were no issues with sickness absence and performance monitoring. Moira Mackie said she was confident in their reporting, monitoring, and communication to departments.

The Chair thanked officers for the report.

RESOLVED

The Committee noted the report.

6. INTERNAL AUDIT PLAN 2022/23

Moira Mackie, Head of Internal Audit, introduced the report on the proposed draft audit plan for 2022/23.

The Chair asked if Covid grant fraud would be included in the plan. David Hughes said Covid grant fraud work would be covered in upcoming Corporate Anti-Fraud reports coming to Committee. Audit officers had done a lot of work with the officers administering the grants, providing pre and post payment assurance around payments. And the National Fraud Initiative were verifying that work through a data matching process across the Country. He noted that Hammersmith and Fulham had relatively low instances of Covid grant fraud to date.

RESOLVED

1. That the Committee review the draft Strategic Audit Plan, as set out in Appendix 1, and consider whether it covers the persistent risks that the Council faces and outlines the business areas or themes that need to be considered as part of a five-year plan.
2. That the Committee review the draft of the Annual Audit Plan, as set out in Appendix 2, and comment on the audit work due to undertaken in the first quarter of 2022/23 and identify any specific audits to be considered during the coming year.

7. RISK MANAGEMENT HIGHLIGHT REPORT

David Hughes, Director of Audit, Fraud, Risk and Insurance, introduced the report that provided an update on risk management across the Council.

Councillor Alex Karmel asked if risk 28 (potential delay to the Civic Campus energy centre) would delay the Council's return to the Town Hall. David McNulty said the plan was to return to the Town Hall by April 2023, but it was right that the risk was flagged.

The Chair asked for reassurance on the Council's investment exposure to Russia following the invasion of Ukraine. Emily Hill said the Council had no direct holdings in Russian stocks. There was a global bonds fund held through the London CIV with some Russian bonds but it was only £1.4m or 0.4% of the fund. There had already been discussions with the London CIV about selling it.

Councillor Jonathan Caleb-Landy asked about the risks of inflation and disruptions to the supply chain. Emily Hill said inflation had been planned for and there was provision in the budget for it.

Councillor Caleb-Landy asked if officers were confident officers were managing information securely (referring to risks three and four). David Hughes said there were robust processes in place.

Members asked if staff had been impacted by the Russian invasion of Ukraine and how the Council was supporting them. David Hughes said support was available through HR for all colleagues who needed it. Sharon Lea, Interim Chief Executive, said it was on every Strategic Leadership Team agenda – looking after staff was a top priority.

RESOLVED

The Committee noted the report.

8. DATE OF NEXT MEETING

The date of the next meeting was noted as 21 June 2022.

Meeting started: 7.00 pm
Meeting ended: 8.30 pm

Chair

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