

# Audit Committee Minutes



**Monday 11 March 2024**

## **PRESENT**

**Committee members:** Councillors Patrick Walsh (Chair), Florian Chevoppe-Verdier, Ashok Patel (attended remotely), Adrian Pascu-Tulbure and David Morton

**Other Councillor:** Councillor Rowan Ree (Cabinet Member for Finance and Reform)

### **Officers:**

Joanna McCormick (Acting COO, Corporate Services)  
Sukvinder Kalsi (Strategic Director of Finance)  
James Newman (Assistant Director of Finance)  
David Hughes (Director of Audit, Fraud, Risk and Insurance)  
Moirra Mackie (Head of Internal Audit)  
Jules Binney (Risk and Assurance Manager)  
Tina Akpogheneta (Chief Digital Officer)  
Ben Savage (Head of Information and DPO) (attended remotely)  
Debbie Yau (Committee Coordinator)

### **Guests:**

Paul Dossett (Key Audit Partner, Grant Thornton)  
Andy Conlan (Senior Manager, Grant Thornton)

## **1. APOLOGIES FOR ABSENCE**

There were no apologies for absence.

Councillor Ashok Patel attended the meeting remotely and he left the meeting before the private session of item 8.

## **2. DECLARATIONS OF INTEREST**

There were no declarations of interest.

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

### *Matters Arising*

Sukvinder Kalsi (Strategic Director of Finance) advised that the External Auditor had issued an unqualified opinion on the Statement of Accounts 2021/22 Accounts on 22 February 2024. The Committee noted the supplementary update on the conclusion of the audit of the Statement of Accounts 2021/22.

## **RESOLVED**

That the minutes of the meeting held on 27 November 2023 were agreed as an accurate record.

### **4. STATEMENT OF ACCOUNTS 2022/23**

Sukvinder Kalsi (Strategic Director of Finance) presented the report which presented the 2022/23 Statement of Accounts of London Borough of Hammersmith and Fulham (LBHF), including the Pension Fund Accounts and Annual Governance Statement for approval.

Andy Conlan (Senior Manager, Grant Thornton) briefed members that the Audit Findings Report (ISA260) (Main Financial Statements and LBHF Pension Fund) 2022/23 (Appendix 2) had been completed during October 2023 through to February 2024. While it was a challenge for both sides to work collaboratively on the audits for both 2021/22 and 2022/23 concurrently, it had allowed the latter audits to be substantially completed more efficiently. It was expected the unmodified opinion would be signed off in line with the Government timetable by end of March 2024. Having caught up all the audits to the current year, the External Auditor would start planning for the 2023/24 audits shortly. Andy referred members to “Follow up to prior year recommendations” on pages 193 to 195 and “Audit Adjustments” on pages 196 to 200. He noted that given the concurrent preparation of the statements, some of the prior year recommendations were ongoing in the 2022/23 financial year. He also noted that there were a small number of unadjusted misstatements and minor misclassification and disclosure amendments. The External Auditor considered it was reasonable to leave those issues unadjusted as they were below materiality.

Referring to the “Fees and non-audit services” on pages 201 to 202, Councillor Ashok Patel sought explanation on the difference between the proposed and final fees. Paul Dossett (Key Audit Partner, Grant Thornton) highlighted the complexity of the process in setting the audit fee for local governments. He said that the fees in this report reflected the five-year contract made by the Public Sector Audit Appointments (PSAA) for the period between 2018/19 and 2022/23. The fee schedule therein comprised a base scale fee plus additional charges arising from new audit requirements as a result of regulation or changes in auditing standards. Paul noted that according to the PSAA, the contract from 2023/24 onwards had a new set of scale fees allowing some degree of resilience to avoid major deviations from those in the next contract period.

In this connection, the Chair remarked that following the exit of certain market players, the number of auditors who possessed the specialist skills to undertake audits for local governments became very limited. He understood that a vast majority of councils had subscribed to PSAA’s service and those that had not did struggle to meet their statutory obligations for audits.

Echoing the Chair’s views, Councillor Florian Chevoppe-Verdier appreciated the difficulties due to the complicated auditing process, the increasing reporting requirements and diversity in the auditing market. He considered that transparency and democracy came with a cost. Separately, he was pleased to note the Council’s

performance from the Statement of Accounts 2022/23. While some councils had gone bankrupt a year after COVID, this Council, despite operating with a 10% funding cut, had managed to stay in positive financial situations and continue its policies to provide its residents free home care and free school meals.

Sukvinder Kalsi advised that the Council was an immensely complex organisation with enormous capital spending and revenue. He reassured the Committee that according to the independent review of the External Auditor on H&F's financial affairs, the Council had done a good job outperforming many other councils. As regards the Audit fee, as he recollected and confirmed by David Hughes, the final fees were about 50% in cash terms as compared to that some 5 to 10 years ago. While there might be a slight uplift following the PSAA's latest arrangements, he considered it was a worthwhile investment as the Council's residents and stakeholders were assured that the Council was well managed financially.

Recalling that some councils had experienced substantial delays in auditing their accounts, the Chair asked about the present position of the Council in comparison with local authorities overall. Paul Dossett (Key Audit Partner, Grant Thornton) remarked that by signing off the 2022/23 audits before the end of March, this Council sat comfortably on the top half. He then briefed members about the situation of council audits by the backstop deadline on 30 September 2024.

Anticipating the External Auditor's busy schedule over the next few months, Councillor Rowan Ree (Cabinet Member for Finance and Reform) was keen to ensure the signing off of the 2022/23 audits by the end of March. Paul Dossett highlighted the Grant Thornton's commitment to do so. He said the H&F's 2022/23 audit work had been substantially completed, pending clearance of the final set of queries. Paul noted it was also Grant Thornton's intention to complete H&F's 2023/24 audits within this year.

Noting the central government was discharging single-year financial settlement for local authorities, Councillor Chevoppe-Verdier was concerned about the long-term impact of such practice. Councillor Ree highlighted the chaotic ways of the central government in dispensing the financial settlement which had made financial planning a lot harder. In addressing the single-year financial settlement which was the sixth year in a row, the Council had set the budgets by making small conservative assumptions and building in high levels of policy contingencies based on high inflation rate. Worst case and other scenarios had been worked out in anticipation of the central government's funding levels. Councillor Ree remarked that the practice of single-year financial settlements was one of the factors that had made the Council's financial management a lot harder. He hoped that the practice would be reviewed after the next election.

Councillor Adrian Pascu-Talbure referred to the Council's key risks on page 30 and queried why housing was not one of the highest-level risks. Sukvinder Kalsi advised that details of the Housing Revenue Account (HRA) were covered under the Annual Governance Statement. He noted that HRA had been under financial stress during 2022/23 but the Council had done recovery and mitigation actions to improve its position. The structural deficit of HRA of £4.1 million at the start of 2022/23 had been reduced to £1.4 million in 2023/24 and eliminated entirely going into 2024/25. To

keep the HRA in a stronger and more stable position, a minimum balance of £5 million would be maintained. Councillor Ree appreciated the efforts taken to stabilise the HRA. Following the publication of its 10-year business plan, it was now clear how the HRA reserves would grow and become stronger over time while spending the monies therein wherever needed. He welcomed future audits on the HRA.

Councillor Pascu-Tulbure sought information on income figures from fines, e.g. parking and clean air neighbourhood. Sukvinder Kalsi highlighted that by nature the Statement of Accounts summarised the income and expenditure accounts on a balanced sheet and record reserve movements. He undertook to provide the requested information which fell under the Environment Department.

**ACTION: Sukvinder Kalsi**

Noting that the debts enlisted under “Debtors” on page 70 involved reasonable amount of money, Councillor Patel was keen to ensure that actions were being undertaken to recover them. Sukvinder Kalsi assured the Committee that the Council had been taking active steps through the Debt Board to manage and improve the overall position of the debts. As the Chair of the Debt Board, James Newman (Assistant Director of Finance) noted the Board would continue to review different types of debts notably business rates and council tax as well as the most efficient ways and procedures to collect them. It was reckoned that the more debts were collected, the less need to identify savings to cover the bad debts.

Councillor Ree considered it was very important for the Council to collect council tax, business rates and service charges timely to pay off contract sums. However, in the face of economic downturn, the Council was keen to ensure that people were not put under unnecessary financial hardship when it came to paying for the services they had received. They must pay but it could take a bit more time to do so.

Councillor Patel referred to Aviva Investors which shared the same “reasonable assurance” as other fund managers on this 2022/23 audits report (page 235). He understood that during 2023/24, the Council had decided to redeem the units in the Aviva Fund and asked about the progress. Sukvinder Kalsi and Councillor Chevoppe-Verdier noted that the advisor of the Pension Fund Committee (PFC), Deloitte (now renamed as Isio) had advised the Committee to disinvest from the Aviva Fund. Unfortunately, Aviva failed to sell a number of assets and the H&F Pension Fund had only been able to recover some of the investment. At the last PFC meeting attended by Aviva directors, it was agreed that the outstanding amount would be payable by the end of June this year. Councillor Chevoppe-Verdier said the PFC was not happy about the need to continue paying the management fee and would deal with the matter strictly.

Councillor Pascu-Tulbure appreciated the transparency on officers’ remuneration on pages 80 and 81. Noting that some non-senior officers were earning serious money with remuneration band in the range of up to £165,000 - £169,000, he was concerned about the job descriptions of these staff. Sukvinder Kalsi noted that the Statement had complied with the statutory reporting requirements by disclosing the remuneration packages for senior staff and set out some remuneration bands for officers across the Council from £50,000 onwards. James Newman added that

senior staff included the Council's Chief Executive, Statutory Chief Officers and members of the Strategic Leadership Team (i.e. those reporting to the Chief Executive).

Councillor Ree expressed thanks to Grant Thornton for its audit reports which offered reassurance to the Council's residents and business partners that the Council was operating in a stable financial position. Councillors and officers could also take the opportunity to review and improve the service delivery particularly at a time of funding cut.

## **RESOLVED**

That the Committee agreed

1. To approve the 2022/23 Annual Governance Statement which was included in the Statement of Accounts (Appendix 1).
2. To approve the Statement of Accounts for 2022/23, including the Pension Fund Accounts (Appendix 1).
3. To note 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).
4. To approve the 2022/23 management representation letters (Appendices 3 and 4).
5. To approve the Pension Fund Annual Report 2022/23 (Appendix 5).
6. To note that the accounts remain 'unaudited' until final sign-off by the external auditor.
7. To delegate authority to the Chair of the Audit Committee, in consultation with the Director of Finance to approve any further adjustments to Appendices 1, 2, 3, 4 and 5 which might be required as part of the completion of the audit work.

## **5. EXTERNAL AUDITOR PROGRESS AND SECTOR UPDATE**

Councillor Florian Chevoppe-Verdier referred to the consultations issued by Department of Levelling Up, Housing and Communities and National Audit Office on measures to address the delay in local audit. He was interested to note the point of view from Grant Thornton and requested it to circulate its response, if any. Paul Dossett (Key Audit Partner, Grant Thornton) confirmed the firm had provided a formal response. He agreed to check whether the response was a public document and revert.

**ACTION: Grant Thornton**

The Chair expressed appreciation on the delivery of audits in a timely manner and hoped that this would continue.

## **RESOLVED**

That the Committee noted the External Auditor Progress Report and Sector Update.

### **6. INTERNAL AUDIT PROGRESS REPORT (APRIL 2023 TO FEBRUARY 2024)**

Moira Mackie (Head of Internal Audit) presented the report which summarised the status of work included in the 2023/24 Internal Audit Plan as at the end of February 2024. The Committee noted that six audits had been finalised, two of which (Council Tax and Housing Benefit) received a Substantial assurance opinion and four (Digital: New Systems Acquisition, Randolph Beresford Nursery, Community Safety – Anti-Social Behaviour and Climate Change) received Satisfactory assurance, with a further three audits at draft report stage. She also briefed members on the finalised audits (Appendix 1) and the status of the remaining planned audits (Appendix 2).

The Chair noted that certain plan areas needed to be deferred for different reasons. He was concerned whether the capacity of the audit team would be able to cope with the workload in dealing with these deferred audits in addition to the regular ones.

Moira Mackie remarked that the team took a risk-based approach to the audit plan. So, a plan area which was lower down on the priority list because of the risks at the time of assessment might be due for an audit later in the following year. For some which had been carried forward for more than one year and were not so significant or just a cyclical piece, some assurances could be obtained from other sources without comprising the plan. She was confident the allocated resources would be sufficient to meet the needs.

The Chair noted that some schools had requested to defer internal audits due to staff changes. He asked how the new incumbents managed to prepare for the audit according to the accounting and audit practices. Moira Mackie remarked that the in-house audit team would not arrange audits for schools having had some significant changes and give sufficient notice when they were ready. In undertaking an audit with these schools, the audit team, apart from liaising with the Council's governance and finance teams, would reach out to the school and its finance team, and if necessary, provided close support to the new staff.

Councillor Ashok Patel noted that to ensure the Annual Audit Plan 2023/24 being more responsive to changing risks and challenges, it had been developed as a '3 plus 9-month' plan (page 381). He considered a 6+6-month plan might help avoid duplication of work.

David Hughes (Director of Audit, Fraud, Risk and Insurance) explained that the 3+9-month approach started during COVID having regard that the risks of plan areas in local governments were changing much quicker than that in the past. As such, the annual plan set out in clear details the scope of work to be done in the next quarter while leaving more flexibility on the tasks to be undertaken in the remaining nine months. The plan was reviewed and updated every quarter. In this way, team resources could be deployed effectively by focusing on the key risks identified by the service directors for the next quarter.

Councillor Adrian Pascu-Tulbure sought information on the recommendations particularly high priority ones that had been identified during the audit process. Moira Mackie noted from her recent review that there were no significant recommendations found. However, the annual report to be presented in summer should involve a few pieces of more complicated work with outstanding issues highlighted for members' reference. David Hughes echoed that the more complicated cases usually took more time to complete. He suggested including in future reporting a section on follow up to prior recommendations to assure the Committee there was no risk. The Committee agreed.

**ACTION: David Hughes / Moira Mackie**

## **RESOLVED**

That the Committee noted the report.

### **7. DRAFT INTERNAL AUDIT PLAN 2024/25**

Moira Mackie (Head of Internal Audit) presented the Strategic Audit Plan which documented significant, persistent risks that the Council faced and the business areas to be covered over a five-year period. The Strategic Plan supported the annual planning process and ensured that internal audit continued to provide assurance over the breadth of the Council's operations.

David Hughes (Director of Audit, Fraud, Risk and Insurance) added that the way of flexible planning and focusing on key risks was now commonly adopted by the sector across London and in line with the new global internal audit standard. It helped to demonstrate assurance around the Council's objectives and key priority areas. He informed members that a paper on the new global internal audit standard, together with the requirements and best practices of internal audit as well as the role of audit committees would be prepared for this Committee's consideration in due course.

Councillor Florian Chevoppe-Verdier noted that one of the changes to the way of delivering the Internal Audit Service was to increase the attendance on working groups to provide advice and constructive challenge where real time input to projects and initiatives would be useful (page 390). He was concerned about the transparency of these working groups, including the membership, meeting details and minutes.

In response, David Hughes cited the example of the Civic Campus project where good governance arrangements and records had been in place such that officers, having recognised the key risks, continued to review the effectiveness of mitigation actions taken. Another example was the Housing's repairs service. Instead of doing the audits, the internal audit team worked proactively alongside with them in the last 12 to 18 months to make sure the risks were assessed and tracked, and the action plans were robust and monitored. The internal audit team had actively been involved in these working groups but no formal report had been prepared at the end of the process. David suggested adding the working groups' updates to the progress report. Councillor Chevoppe-Verdier supported as it helped enhance the Committee's understandings of the working groups and reflected the internal audit team's strength in interventions.

**ACTION: David Hughes / Moira Mackie**

Noting from the Draft Internal Audit Plan 2024/25 that it was planned to review readiness for voter ID and postal voting controls in the second quarter, Councillor Ashok Patel considered the timeframe was rather late given the mayoral election was happening on 2 May and the general election any time before January 2025. David Hughes remarked that again, instead of doing traditional audit, the team would work alongside officers to review the process and improve controls while giving assurance. As the issue of voter ID was more significant on the general election, the internal audit team would work with elections colleagues during the process to make sure the postal votes and the elections came through successfully.

Councillor Rowan Ree (Cabinet Member for Finance and Reform) said he understood that over the last few months, the election and registration team had been looking at election reports in particular those involving borough-wide election under the new system. At the request of Councillor Chevoppe-Verdier, David Hughes said he could provide an update on the work done in relation to the mayoral election at the next Committee meeting on 17 June 2024. Members agreed.

**ACTION: David Hughes / Moira Mackie**

**RESOLVED**

That the Committee noted the early draft of the Annual Audit Plan and the draft Strategic Audit Plan as set out in Appendices 1 and 2 respectively.

**8. RISK MANAGEMENT UPDATE**

David Hughes (Director of Audit, Fraud, Risk and Insurance) introduced the report which provided an update on risk management across the Council. Jules Binney (Risk and Assurance Manager) briefed members on changes made to the Corporate Risk Register since November 2023.

Councillor Florian Chevoppe-Verdier referred to Risk No. 8 ((Failure to identify and address internal and external fraud). While appreciating a lot of progress had been made in this respect, he was concerned that fraud had become the number one crime in the country. It was important for the local authority to continue sharing fraud data with the London Fraud Hub which matched a number of data sets across councils in London to highlight potential fraud cases for investigation. David Hughes gave a detailed account on the development of the National Fraud Initiative back in 2019 and the uptake barrier due to predatory cost. Now about 20 London boroughs had signed up at reasonable price. Data sets, including those from agency members, were shared and matched every month to detect tenancy fraud, parking fraud or moonlighting etc. Consideration was given to putting more data sets to enable frontline staff to check people's eligibility for services to prevent fraud access to the same service in different councils.

In response to Councillor Chevoppe-Verdier's question whether data from private sector could also be shared and matched, David Hughes said there was a business



case for the National Fraud Initiative to consider particular areas of concern such as NHS. By putting the relevant data together, the Council could then take actions proactively and reactively. David added that H&F's BI team was establishing an internal fraud hub such that investigation underway would be made known to other teams serving the same client. It could also help in debt recovery.

Councillor Rowan Ree (Cabinet Member for Finance and Reform) appreciated the sharing of extra data across the borough which shall give the Council chances to look at all sort of services and track down fraud cases. He shared with the Committee that a former tenant was recently found guilty of committing tenancy fraud and sentenced to 16-month suspended imprisonment.

Councillor Ashok Patel referred to Risk 12 (Unable to retain talented people in key posts at LBHF) and sought explanation of "‘deep dive’ to analyse churn more closely". In response, David Hughes remarked that there were particular skill shortages across London councils and audit specialist was a case in point. Social care, environmental health and information technology were other areas experiencing skill shortage. People from permanent employment were diverted to work for agencies which offered higher pay rates. The Council, apart from providing apprentice training for skills in demand, was also looking at how to make the offers as attractive as possible for these areas.

The Chair noted that some risks had reduced its scores and a risk had been removed from the list. This reflected the effectiveness of Corporate Risk Register as a tool used by various departments to manage and mitigate the risks until they were successfully removed.

### **Exclusion of the public and press**

The Committee resolved, under Section 100A (4) of the Local Government Act 1972, that the public and press be excluded from the meeting during the consideration of the exempt presentation, on the grounds that they contained the likely disclosure of exempt information, as defined in paragraph 3 of Schedule 12A of the said Act, and that the public interest in maintaining the exemption currently outweighed the public interest in disclosing the information.

The Committee held further discussions in private session.

### **RESOLVED**

That the Committee noted the report including the exempt presentation.

## **9. DATES OF FUTURE MEETINGS**

The Committee noted the dates of future meetings:

- 17 June 2024
- 16 September 2024
- 9 December 2024
- 10 March 2025

**10. EXCLUSION OF THE PUBLIC AND PRESS (IF REQUIRED)**

Please see item 8.

Meeting started: 7.00 pm  
Meeting ended: 9.02 pm

**Chair** .....

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