

Audit, Pensions and Standards Committee Minutes

Tuesday 16 September 2014

PRESENT

Committee members: Councillors Michael Adam, PJ Murphy, Iain Cassidy (Chair), Guy Vincent, Adam Connell, Ben Coleman, Nicholas Botterill, Mark Loveday and Donald Johnson

Other Councillors:

Officers: David Bays (Committee Co-ordinator), Chris Harris (Head of Corporate Accountancy & Capital), Jonathan Hunt (Tri-Borough Director for Treasury and Pensions), Halfield Jackman (Pension Fund & Treasury Officer), Jackie Hudson (Director for Procurement & IT), Moyra McGarvey (Tri-Borough Director for Audit, Fraud, Risk & Insurance), Andrew Sayers (KPMG), Michael Sloniowski (Bi-Borough Risk Manager), Alastair Sutherland (Deloitte Total Reward), Nicola Webb (Pension Fund Officer), Jane West (Executive Director for Finance & Corporate Governance).

53. MINUTES

RESOLVED –

That the Minutes of the meeting held on 30 June 2014 be agreed as a correct record and signed by the Chair.

Officers undertook to check whether the list of assets identified for disposal had been supplied to Members.

54. APOLOGIES FOR ABSENCE

There were no apologies for absence.

55. DECLARATIONS OF INTEREST

There were no declarations of interest.

56. QUARTERLY PENSION FUND UPDATE

The Committee received a report from the Tri-borough Director of Pensions and Treasury updating Members on the investment performance and funding level of the Pension Fund as at 30 June 2014.

In response to a question about the possible impact on the Fund of the Scottish Referendum, the Director and Alastair Sutherland (Deloitte Total Reward, the Fund's investment advisor) explained that a Yes vote would be likely to lead to uncertainties, with a wider impact on equities linked to Scotland; a No vote would also lead to uncertainties but to a lesser extent.

RESOLVED –

That the report be noted.

57. PENSION FUND ANNUAL REPORT 2013/14

The Tri-Borough Director for Pensions and Treasury reported on the Pension Fund Annual Report 2013/14 which was scheduled to be published with the Council's Statement of Accounts by 30 September 2014. The Annual Report had been externally audited by KPMG who had confirmed their consistency with the accounts and who had issued an unqualified opinion, as set out in page 47 of the Annual Report. In response to a question, officers agreed to consider a Pensions Annual General Meeting and bring back ideas on content and timing.

In response to queries, the Director undertook to forward Members details of the cost of Support Services. He would also report back on monitoring the administration of the Fund including whether pensioners were being paid the right benefit on time.

RESOLVED –

That the Pension Fund Annual Report 2013/14 be approved, subject to final audit sign-off.

58. LGPS CONSULTATIONS

The Tri-borough Director for Pensions and Treasury reported on a further consultation from Department for Communities and Local Government about pension scheme governance.

The new regulations required each local authority to set up a local pension board to help administering authorities with the efficient management and administration of their Scheme. This would mean establishing a Board (its position in the Committee structure to be resolved), which would meet four times a year, starting from 1 April 2015.

RESOLVED –

That the report be noted.

59. PENSION FUND EMPLOYERS

The Committee received a report from the Tri-borough Director for Pensions and Treasury about the various employers in the Pension Fund and the protection in place for these organisations.

In response to questions, the Executive Director of Finance and Corporate Governance explained that most of the organisations concerned gave guarantees, usually in the form of bonds. Members noted that the Tri-borough Pension Fund Officer was working with the organisations currently without bonds and would report to the next meeting with an update.

RESOLVED –

That the report be noted.

60. PENSION FUND CASHFLOW POSITION

Following a request by the Committee in September 2013, the Tri-Borough Director for Pensions and Treasury reported on the Pension Fund cashflow Position. The Director confirmed that as more staff left the Council there were more benefit payments being made than cash coming into the Fund. Therefore monies had been withdrawn from Majedie, as agreed by the Committee, to rectify the position. A further shortfall was expected over the coming 12 months so it was proposed to use some of the money released by the recent withdrawal from Barings to maintain a positive cash balance.

RESOLVED –

That £8m of the proceeds from the sale of the Barings fund be used to maintain a positive cash balance in the Pension Fund bank account over the next 12 months.

61. STATEMENT OF ACCOUNTS, INCLUDING PENSION FUND FOR 2013/14

Chris Harris, Head of Corporate Accountancy, presented the report on Hammersmith & Fulham's Statement of Accounts, including the Pension Fund, for 2013/4. He drew attention to the Errata sheet circulated separately to Members which highlighted changes to the Cash-Flow Statement on page 17 of the Statement and changes to pages 94-101 of the Annual Governance Statement. Key points in the Statement included an underspend by the Council of £8.6m and a stable balance sheet with an increase in total net assets, largely due to higher property values.

Andrew Sayers, the KPMG representative, confirmed that he intended to issue an unqualified opinion on the Accounts. KPMG's report had identified two audit adjustments relating to HRA dwellings and to revised revaluations of school land and buildings. Implementation of these adjustments had not impacted on the general reserves. Since their External Audit Plan 2013/14, KPMG had identified, and added, National Non-Domestic Rates (NNDR) as a significant risk to the authority due to Government introduction of a new regime. Testing of the NNDR

area had not identified any issues. In general, KPMG had highlighted the high quality of the Council's supporting documents and audit processes. On Value for Money, they had looked at the Savings Plan which they considered challenging but achievable.

In response to questions, KPMG and the Executive Director of Finance and Corporate Governance confirmed some of the details in the Statements. The Executive Director undertook to send to Members the Pie Chart showing the split between Asset Sales and Operational costs; and a Briefing Paper on the changes to the Savings Plan since January 2014. The savings would be put to the Finance PAC in January 2015, to be followed by the setting of the Council Tax in February 2015.

RESOLVED –

- (a) That the content of the auditor's report to those charged with governance (ISA260) stating that the accounts would receive an unqualified opinion, the Council had an adequate internal control environment and had made proper arrangements to secure economy, efficiency and effectiveness in the use of resources, be noted.
- (b) That the auditor's findings, recommendations and the Council's response to those recommendations as set out in the Report to those charged with Governance (ISA260), be noted
- (c) That the management representation letter, included as Appendix 3, be approved
- (d) That the Statement of Accounts for 2013/14, included as Appendix 1, and amended by the circulated errata, be approved.

62. OUTSTANDING RECOMMENDATIONS FOR EXTERNAL AUDIT AND FRAUD RESPONSE PLAN

The committee received a report from the Senior Audit Manager about progress in implementing recommendations from the KPMG "Report to those charged with Governance (ISA 260) 2012/13.

Lessons were being learned from the review but the Council wished to see the outcome of the cases taken to court before implementing measures. Meanwhile it was confirmed that Benefits and Revenue Staff in particular were fully trained in possible fraud and there was also now in place arrangements for whistleblowing by staff. The Council were also working closely with the CIPFA Centre of Excellence which had recently been set up.

RESOLVED –

That the report be noted.

63. INTERNAL AUDIT QUARTERLY REPORT FOR THE PERIOD 1 APRIL TO 30 JUNE 2014

Moyra McGarvey, Tri-Borough Director of Audit, Fraud, Risk and Insurance reported on internal audit activity on audit reports issued during the period 1 April

to 30 June 2014 as well as on the performance of the Internal Audit Service for the 2014/15 financial year.

In response to queries, she clarified the process for Satisfactory and Limited Assurance opinions and the consequences of each. One area of particular focus in the recent period had been Adult Social Care where the audit had identified a issues in respect of risk management arrangements. Members suggested for future meetings that it would be useful to have more detail on limited assurance reports and where possible to provide details of the direction of travel for areas being audited, to identify if service areas had improved or deteriorated since the previous audit. for the next meeting it would be useful to do a comparison of how different services had been assessed between one period and previously; and also how assessments of Limited Assurance had progressed to Satisfactory Assurance.

RESOLVED –

That the contents of the Report be noted.

64. COMBINED RISK MANAGEMENT HIGHLIGHT REPORT

Michael Sloniowski, Bi-Borough Risk Manager, reported on the development of a Tri-Borough Risk Register and other developments in identification and management of key risks.

Recent work included some focused activity with Adult Social Care to improve their risk management process. Departments are expected and responsible for the production of risk registers. Overall, the aim was to develop the quality of risk registers. Members would be updated quarterly on progress on these.

Appendices to the report outlined the scope of the Tri-Borough Risk Register and risks relating to specific Departments.

In response to questions, the Executive Director confirmed the position on the risk identified at ref. 47 in Appendix 2 that the Hammersmith Sports Facility may not be delivered. The issue identified at ref. 63 for Shepherds Bush Market was thought to be a comment on a delay in the progress of the project.

Committee also requested that the report previously sent to Audit, Pensions and Standards Committee that included reference to risk appetite be identified for Members information.

The Committee also considered the Annual Governance statement 2013/14 that forms part of the Annual Accounts and noted the significant control weaknesses were reviewed as part of the work undertaken to produce the statement

RESOLVED –

- (a) That the Committee note the various risks outlined in the report and the Council's arrangements for mitigating these.
- (b) That the Annual Governance Statement be noted and the Committee agree to monitor and track an agreed management action plan to address areas of control weaknesses and thereby ensure continuous improvement of the system of internal control.

64.1 **ANNUAL GOVERNANCE STATEMENT 2013/14**

This item was considered as part of agenda item 12 (Combined Risk Management Highlight Report) and agreed.

65. **DATES OF FUTURE MEETINGS**

The following dates were agreed:

- Monday 2 December 2014
- Wednesday 11 February 2015

66. **EXCLUSION OF THE PUBLIC AND PRESS**

RESOLVED –

That under section 100A (4) of the Local Government Act 1972, the public and press be excluded from the meeting during the consideration of the following items of business, on the grounds that they contain the likely disclosure of exempt information, as defined by paragraph 3 of Schedule 12A of the said Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

67. **MINUTES**

RESOLVED –

That the exempt Minutes of the meeting held on 30 June 2014 be agreed as a correct record and signed by the Chair.

68. **PENSION FUND INVESTMENT STRATEGY AND BARINGS DECISION**

The Committee received a report from the Tri-Borough Director for Pensions and Treasury on the Pension Fund Investment Strategy.

69. **MANAGED SERVICES UPDATE**

The Executive Director for Finance and Corporate Governance submitted an update report on the delivery of Managed Services project and the contract with BT.

RESOLVED –

That the report be noted.

70. NNDR FRAUD INVESTIGATION UPDATE

The Tri-Borough Head of Fraud reported an update on progress made on the recent National Non-Domestic Rates (NNDR) fraud, along with a more detailed account of the investigation and subsequent trial.

RESOLVED –

That the report be noted.

71. H&F MEASURES IN PLACE TO MITIGATE THE THREAT OF CYBER-TERRORISM

Following a request by the Committee at their last meeting, the Committee received a report by the Director for Procurement and IT Strategy about measures in place to mitigate the threat of cyber-terrorism in Hammersmith and Fulham.

RESOLVED –

That the report be noted.

72. PENSION FUND EMPLOYERS - EXEMPT APPENDICES

The Committee noted the list of Scheduled Bodies, Community Admission bodies and Transferee Admission Bodies.

RESOLVED –

That the report be noted.

73. TREASURY REPORT 2013/14 OUTTURN

In accordance with the regulatory requirements, the Committee received a report by the Tri-Borough Treasury Manager on the Council's outturn Treasury report for 2013/14. A Half Year report would be presented to the Committee similarly at the next meeting.

RESOLVED –

That the report be noted

Meeting started: 7.05pm
Meeting ended: 9.55pm

Chairman

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