



London Borough of Hammersmith & Fulham

# Audit, Pensions and Standards Committee Minutes

Wednesday 17 June 2015

## **PRESENT**

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

**Officers:** Geoff Drake, Jane West, Maria Benbow, Jonathan Hunt, Dave McNamara, Mark Jones, Debbie Morris, Hitesh Jolapara, Moyra McGarvey, Michael Sloniowski, Andrew Hyatt, Julie Keenan, Tony Pegrum, and David Abbott

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

#### **RESOLVED**

That the minutes of the meeting held on 11 February 2015 were agreed as a correct record and were signed by the Chair.

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

Apologies for absence were received from Councillor Nicholas Botterill and apologies for lateness were received from Councillor Michael Adam.

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

There were no declarations of interest.

### **4. APPOINTMENT OF VICE CHAIR**

#### **RESOLVED**

That Councillor Michael Adam be appointed Vice Chair of the Audit, Pensions and Standards Committee for the 2015/16 Municipal Year.

### **4a PENSIONS SUB-COMMITTEE MEMBERSHIP**

#### **RESOLVED**

That the Committee approved the membership of the Pensions Sub-Committee for the 2015/16 Municipal Year.

## **5. EXTERNAL AUDIT PLAN**

Andrew Sayers and Sally-Anne Eldridge (KPMG) presented KPMG's plan for the audit of the 2014/15 Statement of Accounts.

Andrew Sayers addressed the Committee and the following points were noted:

- On page 7 of the appendix, in the left-hand column, the statement should read, "We will report all audit differences over £0.6m to the Audit, Pensions and Standards Committee", not £0.65m as shown in the original version.
- Page 11 of the appendix onwards outlined the key risks and areas of audit focus, these included; management of override controls, property and equipment, pension assets and liabilities, and payroll.
- LGPS reform was also a key risk because of the changes to the administration arrangements of the schemes.

Members asked KPMG to consider reducing their fees in light of the significant financial pressure that the Council was under. Andrew Sayers noted that the fee scales were set by the Audit Commission but agreed to consider the proposal. Members asked that, if a fee reduction was not forthcoming, KPMG should provide the Committee with a rationale for the level of fees.

Members asked what the impact of the Managed Services Programme would have on the audit process. Andrew Sayers responded that the external auditors would look at the new controls and processes in the system.

Members asked what the key areas of audit risk were in relation to continuing budget cuts. Andrew Sayers responded that budget reductions needed close monitoring, a key risk in the future will be ensuring invest-to-save schemes had robust business cases.

### **RESOLVED**

That the Committee noted the 2014/15 Audit Plan as put forward by KPMG.

## **6. TREASURY REPORT 2014/15 OUTTURN**

Jonathan Hunt presented the Outturn Treasury Report for 2014/15 in accordance with the Council's treasury management policies.

### **RESOLVED**

That the Committee noted the report.

## **7. INTERNAL AUDIT CHARTER AND STRATEGY**

Geoff Drake presented the report that provided an updated version of the Internal Audit Charter and Strategy following a 2015 year review.

### **RESOLVED**

That the Committee noted the report.

## **8. INTERNAL AUDIT QUARTERLY REPORT**

Geoff Drake presented the report that summarised internal audit activity in respect of audit reports issued during the period 1 January to 31 March 2015 and reviewed the performance of the Internal Audit service.

Officers noted that there was one report outstanding where a department had not responded to an audit request. There were also 22 outstanding recommendations which indicated a worsening trend.

Members requested that senior officers from the services where audit recommendations remained outstanding beyond their due date should be invited to the Committee to explain why the recommendations had not been implemented.

**ACTION: Geoff Drake / David Abbott**

Members asked that in subsequent reports, the total number of recommendations issued was clearly stated next to the number of recommendations implemented to give a fuller picture of compliance. Officers responded that this information was available and would be circulated to members outside of the meeting.

**ACTION: Geoff Drake**

### **RESOLVED**

That the Committee noted the contents of the report.

## **9. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2014/15**

Geoff Drake presented the report that provided a summary of all audit work undertaken during the 2014/15 financial year. The report also provided assurances on the overall system of internal control, the system of internal financial control, corporate governance and risk management.

### **RESOLVED**

That the Committee noted the report.

## **10. CHILDREN'S SERVICES INTERNAL AUDIT UPDATE**

Dave McNamara informed the Committee that there was an outstanding issue involving a school that had entered into an operation lease, rather than a finance lease, for some office equipment. Guidance had been sent out to schools previously but now the whole scheme would now be updated and was scheduled to be adopted in the Autumn. This issue had delayed the response to the auditors.

## **11. CHILDREN'S SERVICES RISK REGISTER**

Dave McNamara presented the Children's Services risk register.

## **RESOLVED**

That the Committee noted the report.

## **12. RISK MANAGEMENT**

Michael Sloniowski presented the report that detailed changes to risk management following the replacement of the Accounts and Audit Regulations 2011 with the Accounts and Audit Regulations 2015.

Members requested that a copy of the Managed Services Programme Risk Log was provided to the next Finance and Delivery Accountability and Policy Committee.

**ACTION: Maria Benbow**

## **RESOLVED**

1. That the Committee noted the amendments to the Accounts and Audit Regulations 2015, a statutory instrument, that concern risk management which was laid before Parliament on 17 February 2015 and came into effect on 1 April 2015.
2. That the Committee noted that a quarterly review of strategic risks faced by the Council had been undertaken by H&F Business Board. The Committee also considered these risks and corresponding mitigations in the register for appropriateness, attached as Appendix 1 in the agenda.
3. That the Committee approve the forward plan for the risk management review of departments attached as Appendix 2 in the agenda.

## **13. DATES OF FUTURE MEETINGS**

Future meetings of the Committee were scheduled for:

- 15 September 2015
- 14 December 2015
- 22 March 2016

## **14. 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 consideration of the remaining items of business on the grounds that they contain information relating to the financial or business affairs of a person (including the authority) as defined in paragraphs 3 and 7 of Schedule 12A of the Act, and that the public interest in maintaining the exemption currently outweighs the public interest in disclosing the information.

## **15. CORPORATE ANTI-FRAUD SERVICE ANNUAL REPORT**

*NOTE: This was an exempt item but the minutes are open.*

Andrew Hyatt presented the report that provided an account of anti-fraud related activity undertaken during the financial year 1 April 2014 to 31 March 2015. Officers noted that only the case studies needed to be exempt and were provided to give context to the work that the service undertook.

Members asked if the service had considered providing financial rewards for information about housing and tenancy fraud. Officers responded that rewards increased the risk of malicious referrals.

The Chair, on behalf of the Committee, expressed thanks to the Corporate Anti-Fraud Service team for their part in the recent successful prosecution of a former member of staff for corporate fraud.

### **RESOLVED**

That the Committee noted the fraud work undertaken during the year 1 April 2014 to 31 March 2015.

## **16. LIMITED ASSURANCE INTERNAL AUDIT REPORTS**

*NOTE: This was an exempt item but the minutes are open.*

Geoff Drake presented the report that listed all of the limited and nil assurance audit reports issued during the period 1 January 2015 to 31 March 2015.

### **LBHF Highways Licensing**

Julie Keenan and Tony Pegrum (Highways and Engineering) informed members that within H&F, the administration of Highways Licences had been undertaken by the Network Management Team, but following the transfer of a Licensing Enforcement Officer post to ELRS in 2008, Street Scene Enforcement took on some of the enforcement duties. There was an ongoing lack of agreement and clarity over the responsibilities that had been transferred. Officers asked for a clear timescale for a decision over the responsibilities.

### **RESOLVED**

1. That the Committee noted the contents of the report.
2. That the Committee requested a decision be made about the licensing enforcement responsibilities between the Network Management Team and ELRS within a month of the date of this meeting.

## **19. FULHAM PALACE TRUST**

*NOTE: This was an open item that was taken before the exclusion of the public and press in the meeting.*

Mark Jones presented the report which detailed a request from Fulham Palace Trust for the Council to fund a pension deficit relating to staff transferred from the Council in 2011.

Sian Harrington, Chief Executive of Fulham Palace Trust, addressed the Committee and the following points were noted:

- The Trust believed that the pension deficit of £388k would harm their ability to apply for charitable grants.
- Fulham Palace had cultural and historical significance for the borough. The Council had already invested a significant amount of money to the Palace in the form of grants of £566k, a repayable loan of £300k, and a boiler replacement commitment worth over £200k.
- Fulham Palace was previously operated by the Council and the pension liability related to Council employees who transferred to the Trust when it was formed.

The Chair noted that the Committee recognised the cultural significance and importance of Fulham Palace in the borough.

Members noted that many charitable organisations had pension liabilities and it did not affect their ability to fundraise.

Members asked if the Trust knew about the liability from its formation or whether it was a recent discovery. Tom Hackett, founding trustee, responded that the trustees were appointed by the Council and were not aware of the deficit, although three of the trustees did have a financial background. It was also reported that no independent financial advice was sought at the time.

Jonathan Hunt informed members that at the time of the transfer there was a pensions deficit of £500k, but by 2013 it had reduced to £388k. The recovery period was 22 years, in line with the Council's own recovery rate.

Mark Jones reported that the original admission agreement had specified a 29% contribution rate to the pension scheme and explicitly stated that the Trust would take on their share of the deficit. Sian Harrington noted that she had not seen the original admission agreement.

Members asked Sian Harrington if she believed the Council had been at fault during the creation of the Trust. Sian Harrington responded that there was a shared responsibility between the Council and the Trust as the founding trustees had not fully explored the financial issues at the time.

Members asked how many other organisations had been formed in similar circumstances and may also have outstanding liabilities. Officers agreed to provide this information outside the meeting.

**ACTION: Nicola Webb**

Members recommended that the Trust sought financial support through the grants route used by all other charitable and voluntary bodies in H&F.

Sian Harrington thanked the Committee for considering the issue and hoped that the Council and Fulham Palace Trust continued its productive relationship.

**RESOLVED**

1. That Fulham Palace Trust be advised to approach the Council for grant funding through the traditional process.
2. That in future when a trust was being formed the Council should recommend to the trustees that they seek independent financial advice.

Meeting started: 7.02 pm  
Meeting ended: 10.34 pm

Chair .....

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