

**Audit Committee and Audit Committee (Advisory) - 31 January 2019**

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Committee Room 4, Town Hall, Upper Street, N1 2UD on 31 January 2019 at 7.00 pm.

**Present:**       **Councillors:**       Councillor Nick Wayne (Chair), Councillor Sue Lukes (Vice-Chair), Councillor Satnam Gill OBE, Councillor Una O'Halloran  
**Also Present:**       **Independent members:**       Alan Begg and Nick Whitaker

**Councillor Nick Wayne in the Chair**

29       **APOLOGIES FOR ABSENCE (Item A1)**

There were no apologies for absence.

30       **DECLARATION OF SUBSTITUTE MEMBERS (Item A2)**

There were no declarations of substitute members.

31       **DECLARATIONS OF INTEREST (Item A3)**

In relation to Agenda Item C3, Councillor Gill declared an interest in that he was an ex-officio trustee of Hilldrop Area Community Association.

32       **MINUTES OF PREVIOUS MEETINGS (Item A4)**

**RESOLVED:**

That the minutes of the meetings held on 15 October 2018 and 15 January 2019 be confirmed as an accurate record of proceedings and the Chair be authorised to sign them.

33       **COUNCIL TAX BASE AND NATIONAL NON-DOMESTIC RATES (Item B1)**

In the discussion the following points were made:

- Recommendation 2.4 of the officer report should be deleted as the National Non Domestic Rates were now collected, pooled and redistributed back to all 33 London boroughs. This meant the council shared in the growth in London.
- The estimated collection rate was 98% after five years. The GLA had invested money into a driving down debt team.

**RESOLVED:**

- 1) That the Council Tax base for the whole area for 2019-20 (or until rescinded) shall be 79,524.3 Band D equivalent properties after adjusting for non-collection be agreed.

- 2) That the Council Tax base for meeting the special expenses issued by the Lloyd Square Garden Committee for 2019-20 (or until rescinded) shall be 45.2 Band D equivalent properties after adjusting for non-collection.
- 3) That the Council Tax forecast for 2018-19 be noted.
- 4) That the authority be delegated to the Acting Section 151 Officer to finalise the 2019-20 NNDR1 estimates for Islington, which would feed into the estimates for the London Business Rates Retention Pilot Pool.

**34 ANNUAL TREASURY AND INVESTMENT STRATEGY (Item B2)**

In the discussion the following points were made:

- Members could be provided with investment strategy training.
- Most of the council's borrowing was done using fixed rates so interest fluctuations only affected day to day cashflows and where new borrowing took place. The council chose when to borrow long term to minimise risk.
- Money from the sale of council houses was used to manage day to day cashflow. The council had money invested within government and other councils. Being paid back was the main priority and since the banking collapse of 2008, the council had not lent to banks.
- If there was a complete change in strategy following the reappraisal of market conditions and expectations for future interest rates, this would be brought back to committee.

**RESOLVED:**

That the key points of the treasury strategy summarised in the report be noted.

**35 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN (LGSCO) ANNUAL REVIEW PERFORMANCE REPORT 2018 (Item C1)**

In the discussion the following points were made:

- The council was in a positive position when compared with neighbouring boroughs.
- Housing complaints were now dealt with by the Housing Ombudsman.
- The PFI client team held regular meetings to deal with issues that arose with partners and contracts.
- Updates on complaints were reported quarterly to the Members Performance Panel.
- The committee expressed concern at the time lag between complaints being received and being adjudicated, in particular there was a backlog with the Housing Ombudsman.
- It was not the role of the Audit Committee to look into individual complaints but other committees e.g. Housing Scrutiny could do this.
- It was noted that three of the five housing complaints related to homelessness and a member suggested that process improvements should be put in place.
- Less than 1% of the Stage 1 complaints received went as far as the Ombudsman.

**RESOLVED:**

- 1) That the Local Government and Social Care Ombudsman Annual Review letter 2018 dated 18 July 2018 be noted.
- 2) That it be noted that of the 16 cases investigated, there were 11 upheld decisions (finding of maladministration) with the remaining five cases not upheld.
- 3) That it be noted that separate to complaints investigated by the LGSCO and Annual Review letter, four upheld decisions (finding of maladministration) were decided by the Housing Ombudsman.
- 4) That the Complaints/Improvement Plan be noted.
- 5) That it be noted that in line with the council's statutory duty, section 5 (2) of the Local Government and Housing Act 1989, the Council's Monitoring Officer would provide a twice-yearly report to the Audit Committee.

**36**      **MONITORING OFFICER OMBUDSMAN REPORT (Item C2)**

This item was considered alongside Agenda Item C1. See the discussion in Minute 35.

**RESOLVED:**

That the report be noted.

**37**      **INTERNAL AUDIT INTERIM REPORT 2018-19 (Item C3)**

In the discussion the following points were made:

- The report included the outcomes of delivery of the 2018-2019 audit plan and the outcomes of follow up audits.
- Fewer audits than expected had been completed due to there having been an auditor and a manager vacancy. There had also been a rollover of 2017-18 audits into 2018-19 given a previous vacancy. However, a number of reviews marked as not completed (as the report had been prepared in late November 2018), had now been completed (when committee convened in January 2019). It was expected that at least 95% of audits on the plan would be completed by the end of April 2019.
- An audit manager was being recruited and the Camden Audit Manager had been acting as the Islington Audit Manager in the interim. Some work arising from the principal auditor vacancy was transferred to PwC, subject to budget.
- The Chair requested that when the 2019/2020 plan was being compiled resourcing was considered.
- The E&R overtime audit was discussed in detail. The audit had shown that there were issues with value for money with the use of agency staff and the relationship between agency staff and council staff, poorly designed time recording systems, excessive overtime hours being worked and claimed and a lack of confidence in the budget setting process.
- A new manager was in place and was receptive to the audit recommendations and was designing controls to make improvements and drawing up consistent terms of employment. Processes, policies and procedures were all being updated.
- Steps were being put in place to try and get HR to question excessive overtime.

- It was suggested that when findings of limited assurance were categorised, that the risks attached and the length of time the audits had been at limited assurance should also be listed.
- If follow up work was done after an audit and there was not a good level of response from managers, directors were approached.
- The Chair raised concern about the seriousness of the findings and that it had taken the audit for E&R to address the problems.
- The Chair raised concern about significant overspends in relation to new build. The audit team could consider this when drawing up the programme for the next year. A new director of new build had been appointed.

**RESOLVED:**

- 1) That the report be noted.
- 2) That an update report on the level of implementation of recommendations for the E&R overtime audit be submitted to the next meeting and the Corporate Director be requested to attend to provide assurance.
- 3) That in the future, when there were high priority recommendations and the audit team had sufficient concern, the chair of the Audit Committee be notified and relevant officers requested to attend a meeting where appropriate.

**38 EXTERNAL AUDITOR REPORT - AUDIT PROGRESS REPORT AND SECTOR UPDATE (Item C4)**

In the discussion the following points were made:

- Grant Thornton were nearing the end stage of the planning process for the 2018/19 financial statements audit and once the plan was finalised it would be submitted to the committee in March 2019.
- No hidden or undisclosed risks had been identified in the planning process.
- Grant Thornton held workshops and had a forum where councils could share information. The external auditors also shared sector updates on topics such as Brexit, the local government sector and transformation toolkit.

**RESOLVED:**

That the report be noted.

**39 WHISTLEBLOWING POLICY (Item C5)**

In the discussion the following points were made:

- Comparison of the policy against other councils had taken place.
- The key updates to the policy were the addition of the provision for modern slavery and the new Head of Audit's details.
- The role of the Audit Committee in the monitoring and implementation of this policy was discussed.

**RESOLVED:**

- 1) That the contents of the updated policy, including the reference to modern slavery be agreed in principle subject to Paragraph 3.1 being amended to state "a confidential written" response would be received and Paragraph 5.8 being amended to clearly define the term "qualifying disclosure".

- 2) That officers ensure the next whistleblowing report be robust and user friendly with proper chains of responsibility and accountability specified.
- 3) That the Head of the Audit would explore the role of the Audit Committee in the monitoring and implementation of this policy with the Director of Law and Governance and update the committee at a future meeting.

**40**      **MARKET SUPPLEMENTS (Item C6)**

In the discussion the following points were made:

- In July 2018 six of the 12 vacant posts were filled. In October 2018 two more were filled. One post holder had since been dismissed which left three posts vacant.
- Although using agency staff could cost less, the quality of staff and high turnover could make permanent staff with market supplements better value for money. There would be further advertising for the vacant posts.
- Concern was raised that the council was not getting value for money if it was paying other staff with the same job title market supplements when there were unfilled posts.

**RESOLVED:**

- 1) That the Interim Head of HR be requested to attend the June 2019 meeting to answer the committee's questions about market supplements.
- 2) That members send any questions in relation to market supplements to Councillor Lukes and she would collate them.

**41**      **IDENTIFIABLE RISKS FROM A NO-DEAL BREXIT (Item C7)**

In the discussion the following points were made:

- London Councils had done some work on the risks and this could be shared with the committee.
- The council had set up a Brexit working group run by the Corporate Director, Children's Services. It looked at the council's Brexit preparedness, including considering risks from the point of view of residents. The Strategy and Change Manager had been appointed as the council's Brexit lead. Business continuity plans were being updated.
- A key focus of the working group were the short term risks for the first couple of months if there was a "No Deal" at the end of March.
- Grant Thornton shared insights with councils and ran workshops to discuss and work through issues.
- Councillor Comer Schwarz was the lead member on Brexit.
- To mitigate risks, the council was increasing reserves and contingency. Business rates were pooled across London which meant those risks were shared and the government safety net had been increased. Treasury management was prudent and while there was much overseas investment, 50% of the currency risk was hedged.
- The government had provided the council with £210,000 to use on Brexit related changes.
- The Chair stated the importance of identifying key risks at this stage and making recommendations to services to mitigate them. The officer stated that the discussions were not yet at this level of maturity.

**RESOLVED:**

That the Committee receive an update at the next Audit Committee meeting and the Corporate Director, Children's Services and the Strategy and Change Manager be requested to attend the meeting.

**42 INTERNAL AUDIT SHARED SERVICE DRAFT TERMS OF REFERENCE (Item C8)**

In the discussion the following points were made:

- The fieldwork had been completed and the report would be written in the next fortnight.
- The work was in the design phase.

**RESOLVED:**

- 1) That the Internal Audit Shared Service Draft Terms of Reference be noted.
- 2) That the committee be updated in due course.

The meeting ended at 8.50 pm

**CHAIR**