

Audit Committee and Audit Committee (Advisory) - 28 January 2020

Minutes of the meeting of the Audit Committee and Audit Committee (Advisory) held at Islington Town Hall, Upper Street, N1 2UD on 28 January 2020 at 7.00 pm.

Present: **Councillors:** Nick Wayne (Chair), Sue Lukes (Vice-Chair) and Anjna Khurana

Independent member: Alan Begg

Councillor Nick Wayne in the Chair

103 APOLOGIES FOR ABSENCE (Item A1)

Received from Nick Whitaker.

104 DECLARATION OF SUBSTITUTE MEMBERS (Item A2)

None.

105 DECLARATIONS OF INTEREST (Item A3)

None.

106 MINUTES OF PREVIOUS MEETING (Item A4)

RESOLVED:

That the minutes of the meetings held on 2 September and 17 December 2019 be confirmed as a correct record and the Chair be authorised to sign them.

107 APPOINTMENTS TO PERSONNEL SUB-COMMITTEE (Item A5)

RESOLVED:

(a) That Councillors Joe Caluori, Jilani Chowdhury, Satnam Gill and Angela Picknell be appointed as substitutes on the Personnel Sub-Committee, for the remainder of the municipal year, or until successors are appointed.

(b) That Councillor Rowena Champion be appointed to the following outside bodies until a successor is appointed:

London Councils, Associated Joint Committee - Transport and Environment Committee

LGA General Assembly

Crossrail High Level Forum

Groundwork London's Local Authority Strategic Board

London Road Safety Council.

North London Waste Authority

Lee Valley Regional Park Authority (through London Councils)

108 **LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REVIEW PERFORMANCE REPORT 2019 (Item B1)**

Members expressed concern that the number of complaints upheld this year (11) was the same as last year, indicating possible systemic issues. Members suggested that managers should strive to avert referrals to the Ombudsman before stage 2 as far as possible. It was noted that all cases of maladministration or injustice were notified to the Chief Executive by letter from the Ombudsman.

RESOLVED:

That the following be noted:

- (a) The Local Government and Social Care Ombudsman Annual Review letter, dated 24 July 2019, attached as Appendix 1 to the report of the Monitoring Officer.
- (b) That, of the 26 cases investigated, 11 were upheld decisions (finding of maladministration) with the remaining 15 cases not upheld.
- (c) That 3 of the 11 upheld cases received a satisfactory remedy before the Ombudsman's involvement, representing 28% of cases upheld and an improvement on 2017/18.
- (d) That 10 out of the 10 cases (100%) complied with the Ombudsman's recommendations on time.
- (e) That, separate to the complaints investigated by the LGSCO reported in the Annual Review Letter, one upheld decision during the period in question (finding of maladministration) was decided by the Housing Ombudsman, as detailed in Appendix 2 to the report.
- (f) That, in line with the statutory duty under section 5A (2) of the Local Government and Housing Act 1989, the Monitoring Officer provided this annual report to Audit Committee.

109 **COUNCIL TAX BASE AND NATIONAL NON-DOMESTIC RATES ESTIMATE 2020-21 (Item B2)**

RESOLVED:

- (a) That the Council Tax base for the whole area for 2020/21 (or until rescinded) shall be 81,221.2 Band D equivalent properties after adjusting for non-collection, detailed in paragraph 4.2 and Appendix A of the report of the Assistant Director, Service Finance.
- (b) That the Council Tax base for meeting the special expenses issued by the Lloyd Square Garden Committee for 2020/21 (or until rescinded) be 45.2 Band D equivalent properties after adjusting for non-collection.
- (c) That the Council Tax forecast for 2019/20, detailed in Paragraph 5.1 and Appendix C of the report, be approved.
- (d) That the latest NNDR forecast for 2019/20, subject to finalising in the 2020/21 NNDR1 (detailed business rates estimate) return that the Council is required to submit by 31 January 2020 be noted.

- (e) That the Acting Section 151 Officer be authorised to finalise the 2020/21 NNDR1 estimate for Islington, which would feed into the estimates for the London Business Rates Retention Pool.

110 ANNUAL TREASURY AND INVESTMENT STRATEGY (Item B3)

Members considered the implications for the capital programme of the pressure caused by the rise of 1% in rates for loans from the Public Works Loan Board and costs associated with Brexit, particularly on new housing schemes. This would be the subject of a deep dive in the following year.

RESOLVED:

(a) That the Council's 2020-2021 annual treasury management and investment strategy, detailed in the report of the Service Director of Finance and covering:

- The balance sheet and treasury position
- Prospects for interest rates
- Borrowing requirement and strategy
- Debt rescheduling
- Investment strategy and policy
- HRA self financing

- be noted in advance of its consideration at the budget and council tax setting meeting on 27 February 2020.

(b) That the following key points of the treasury strategy summarised below be also noted:

- £239.8m estimated to be required to be borrowed over the next 3 years, £64.4m to replace existing borrowing that matures and £175.4m of new borrowing to fund capital expenditure
- The borrowing strategy was to minimise borrowing costs through: using surplus cash and borrowing at optimal times at either variable or fixed rates, which could include borrowing in advance of need
- It was expected that sums for investments would be minimal. Investment activity was restricted to institutions detailed in paragraph 3.7 of the report
- The Council's investment priorities in order of importance were:
 - Security of the invested capital
 - Liquidity of the invested capital
 - An optimum yield which is commensurate with security and liquidity

111 MARKET SUPPLEMENTS UPDATE (Item B4)

The Acting Director of Human Resources reported that market supplements continued to be used for recruitment to specialist posts in the Council. However, the Council's new Workforce Strategy would assist in identifying areas where there were particular staff shortages and would focus on strategies for recruitment to those posts.

In response to questions about costs associated with advertising vacancies, he assured the Committee that these costs would not be incurred in the future, since the Council had purchased a "LinkedIn" licence, for recruitment to specific posts,

such as gas engineers and other specialist posts. He undertook to provide information for the Committee on how Islington compared to other inner London borough councils on the use of market supplements for recruitment to specialist posts.

RESOLVED:

- (a) That the contents of the report on the effectiveness of market supplements in attracting the skills required by the Council for particular posts and whether they have proved more effective than engaging agency staff be noted.
- (b) That it be noted that the Acting Director of Human Resources would obtain information for members of the Sub-Committee on how Islington compared to other inner London borough councils on the use of market supplements for recruitment to specialist posts.

112 EXTERNAL AUDITOR REPORT (Item B5)

RESOLVED:

- (a) That the annual "Audit Progress Report and Sector Update" from Grant Thornton, the Council's external auditor, as appended to the report of the Service Director Finance, be noted.
- (b) That, in the interests of user-friendliness, Grant Thornton and other producers of external reports to Council committees, be requested to minimise the use of acronyms in their reports and include a glossary of terms.

113 INTERNAL AUDIT INTERIM REPORT 2019-20 (Item B6)

The following points were made during discussion:

- A "Satisfactory" management response to audit recommendations meant that Internal Audit's recommendations had been accepted, or that the service had indicated the work they would be taking to achieve those recommendations. When an audit finished, Internal Audit carried out a follow-up audit to determine whether audit recommendations had been implemented.
- Internal Audit resources were directed at higher risk cases.
- In order to ensure that departments were not diverting Internal Audit from failures and that they were being open and transparent, Internal Audit identified the risks that they wished to investigate. Corporate Directors often asked Internal Audit to carry out additional ad hoc pieces of work.
- There were a number of audits which had not yet commenced and a question was asked whether, given the reduced level of resources, there was an "optimism bias" as to how much work the Internal Audit Team could manage? The Audit Committee expected to see high quality audits in high priority areas.
- Internal Audit carried out a resourcing calculation to see how many days were available to deliver the annual audit plan. Draft plans were then taken to Departmental Management Teams. The Head of Internal Audit stated that she did not feel that they were being overly optimistic. Where projects were marked as "not commenced", this was because they were mostly assigned to PWC. This year, larger budgets of approximately 20 days had been agreed

for individual audits. Having consulted with the Audit Manager, the projects earmarked for Q4 were on track.

- The Policy and Performance Scrutiny Committee had established a sub-committee to look at the IT estate, which was noted a "High Priority Recommendations" area on the Audit Plan
- The other "High Priority Recommendations" item concerned vetting arrangements. Overall, the concerns were about vetting before a person came to work for the Council. Internal Audit had made recommendations to HR to review how it worked with Reed and other agencies to ensure that they had robust systems for vetting staff.
- Given that the role of the Audit Committee was to challenge and be a "critical friend", their reliance was on a categorical statement from Internal Audit. It would be helpful if, for the year end report, more information could be included about the identification of problems/issues in particular areas, rather than the standard "limited assurance" status.

RESOLVED:

That the report of the Interim S151 Officer, detailing the outcomes of the delivery of the 2019-2020 audit plan, be noted.

114

PROGRAMMES AND TRANSFORMATIONS OUTCOMES - UPDATE (Item B7)

The Head of Internal Audit gave a verbal report to the Committee, noting the change in personnel leading on the Programmes and Transformation Programme. Although the design of the Programme was based on good foundations, the model needed simplifying and streamlining.

The following points were noted during discussion:

- 93% of the year 1 savings from the Programme were on track
- Delivery implementation had not stopped
- In the interests of keeping a grip on i) concrete achievements for the Strategic Change Team on outputs and delivery of projects and ii) scrutiny of the Strategic Change Team to ensure that it was not growing disproportionately, Audit Committee would monitor the situation.
- A comprehensive update report should be submitted to the meeting of the Committee in May 2020 to include: i) an update on the project management work, incorporating changes made by the new manager and ii) an honest reflection of the achievements of the Team to date and what might be improved

RESOLVED:

That a comprehensive report be submitted to the Audit Committee on 18 May 2020 to include: i) an update on project management work, incorporating changes made by the new manager and ii) an honest reflection of the achievements of the Team to date and what might be improved.

115 PRINCIPAL RISK REPORT - JANUARY 2020 (Item B8)

The following points were noted during discussion:

- Additions to the list of principal risks were highlighted in paragraph 1.7 and included: the capital programme, health and social care integration, recruitment and retention, social care market instability, housing delivery and CCTV
- It was difficult to know what the limit was for an item to be assessed as "high risk". Risk scores ranged from 12 – 16 (page 119 of the report) and all of these items appeared in the heatmap as "high risk". It was noted that the risk management framework would be reviewed and, as part of this, one of the elements to be considered would be risk appetite.
- It was important for this Committee to know what the actual risk was
- The work of Internal Audit was governed by the Council's Principal Risk Report. An area may be a high risk, but could still remain high after Internal Audit, for example in an area such as safeguarding of children which would always have a maximum impact score of 5.

RESOLVED:

That the contents of the report of the Interim S151 Officer, detailing the principal risks facing Islington, be noted.

116 AUTHORISATION OF AN EXTERNAL INVESTIGATION INTO WHISTLEBLOWING COMPLAINTS (Item B9)

RESOLVED:

(a) That an external independent investigator be appointed to undertake an investigation into a whistleblowing complaint.

(b) That the findings of the independent investigation be reported back to a future meeting of the Committee.

117 OUTCOME OF EXTERNAL INVESTIGATION - FINAL REPORT (Item B10)

RESOLVED:

That the summary outcomes of the external investigation into a whistleblowing complaint, as detailed in the exempt appendix to this report, be noted.

118 EXEMPT MINUTES OF THE MEETING HELD ON 2 SEPTEMBER 2019 (Item F1)

RESOLVED:

That the exempt minutes of the meeting held on 2 September 2019 be confirmed as a correct record and the Chair be authorised to sign them.

119 **OUTCOME OF EXTERNAL INVESTIGATION - FINAL REPORT - EXEMPT APPENDIX (Item F2)**

Noted the contents of the exempt appendix.

120 **AUTHORISATION OF AN EXTERNAL INVESTIGATION INTO WHISTLEBLOWING COMPLAINTS - EXEMPT APPENDIX (Item F3)**

Noted the contents of the exempt appendix.

The meeting ended at 9.35 pm

CHAIR