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PRESENT

Members of the Committee

Councillor Ian Wason (Chair)

Councillor David Lindsay (Vice-Chair)

Councillor Charles Williams

Councillor Emma Dent Coad

Co-opted non-voting Members

Mr Andrew Ling

Ms Liz Murrall

Ms Cosette Reczek

Councillors in attendance

Cllr Elizabeth Campbell

Cllr Judith Blakeman

Officers in attendance

Barry Quirk (Chief Executive)

Mat Dawson (Senior Finance Manager, Treasury and Pensions)

David Hughes (Director of Audit, Fraud, Risk and Insurance)

Taryn Eves (Director of Financial Management)

Dan Hawthorn (Executive Director of Housing and Social Investment)

Andrew Hyatt (Head of Fraud)

Moira Mackie (Head of Audit)

Lubna Nasir (Chief Accountant)

Debbie Morris (Director of Human Resources and OD)

Xing Rong (Treasury Manager)

Paul Willmette (Bi Borough Director Governance and Operations)

Sharon Grant (Strategic Commissioner)

Martyn Carver (Governance Manager)

Esme Sharry (Governance Administrator)

External Auditors

Paul Grady

Paul Jacklin

Public Agenda

A1. APOLOGIES FOR ABSENCE

No apologies for absence were received.

A2. DECLARATIONS OF INTEREST

Cosette Reczek stated her standing declaration that she is an employee at Standard Charter Bank.

A3. MINUTES OF THE MEETING HELD ON 9 NOVEMBER 2020

The minutes of the meeting held on 9 November were submitted for confirmation.

On A3 Liz Murrall raised an issue of valuation uncertainty in the auditor's report and what was signed in the audit representation.

*Action: Governance Services to
look into response from Grant
Thornton*

Liz Murrall also raised that in the last meeting of the Committee David

Hughes was asked to take account of the national risk register.

Action: David Hughes to bring National Risk Register to the next meeting of the Audit and Transparency Committee.

Aside from this addition, the minutes of the meeting of the Committee held on 9 November 2020 were confirmed as a correct record.

A4. FORWARD PROGRAMME AND ACTION TRACKER

Andrew Ling noted that the Forward Programme was brief in terms of upcoming information. The Chair agreed that more detail is needed to plan for upcoming work.

Action: David Hughes to work with Esme Sharry to ensure a comprehensive Forward Plan is put together and circulated before the next meeting of the Committee.

The Chair requested that the upcoming Risk Register should include the Council's commitment for net zero emissions by 2030. David Hughes confirmed this was added by EMT at the last meeting and will be included in the next iteration of the Risk Register.

A5. INDEPENDENT REVIEW OF PROPERTY TRANSACTIONS

Cllr Campbell, the Leader, acknowledged that before 2017 the Council did not find the right balance between financial and social benefits. The narrow goal of generating commercial income was put above the goal of delivering benefits to

the wider community. The Kroll report evidenced the Council's under-achievement in terms of transparency, community involvement, scrutiny and policy. The Leader stated for these reasons, the Council apologised. The Leader concluded that the point of the Kroll Report was to shift focus so that wherever possible social value and community interest are put first.

Following this, Barry Quirk outlined that the covering report produced by himself and David Hughes set out in paragraph 5 a number of recommendations to be taken forward. The covering report explained that the Kroll Audit was prompted by a publication in October 2018 by Kensington and Chelsea College of the original Kroll Report which looked at the Council's purchase of the college site in 2016. Following conversations with independent community organisations and external auditors, it was viewed that as the College was bought by the Council for £25.35 million in 2016 and sold in 2019 to the DfE for £10 million (although it was valued at the time for £22 million) an independent investigation was needed to restore trust with the public.

Barry Quirk summarized that the core findings of the Kroll report were that the Council's Property Policy was rational in its own terms and that there was no evidence of wrongdoing. Despite this the decisions that were taken did not rest on a proper consideration of all factors. Barry Quirk noted that the combined income of the four property transactions gained the Council £4.2 million per year in commercial rental income which supported valuable council services and the Council's revenue budget. He stated that councils have a duty to consider best value when reconfiguring strategies, as found in the Kroll report where it is stated that though profit maximisation may have appeared to be the sole focus the overall objective was to benefit the community as a whole. Despite this, the Council's asset management strategy did lack focus on community impact and the decision reports covering the transactions reviewed by Kroll did not include any Equalities Impact Assessment. The 6 recommendations in paragraph 5 were to learn from and respond to the findings in the Kroll Report. He also noted that the Council has now embedded the Charter for Public Participation in its work.

Paul Grady commented that Grant Thornton were thoroughly involved in the Council's decision to go ahead with the report. He seconded Barry Quirk's and The Leader's assertions that in the findings of the report there was nothing which gave undue cause for concern given the measures that are already in place.

Cllr Dent Coad argued that Kroll Report highlighted areas where the Council had failed and continued to fail. Firstly, she stated that the Kroll Report underlined issues of transparency where relevant papers were not shared with relevant committees. Cllr Dent Coad argued that transparency was still an issue citing her inability to get a financial background for the recent new homes deal programme. Numerous times in the report it was mentioned that scrutiny was being carried out after decisions were taken. Cllr Dent Coad felt this continues to happen as reports are still not written on time. Cllr Dent Coad drew attention to the underspends in the Council's budget of over £90 million between 2010-2016. Finally, she drew attention to the lack of investment to improve economic wellbeing in Golborne Ward which was one of the stated aims in purchasing the college. Cllr Dent Coad concluded that capital revenue needs to be targeted towards areas of greatest inequality as is outlined in the Local Plan. She added that the Labour Group would be making its own submission about the Kroll report.

Barry Quirk responded that there should be a regular monitoring report on disposal and acquisitions of Council property. He stated that any variations from the local plan should only be done with explicit reason and, therefore, any examples provided by Cllr Dent Coad will be investigated. Barry Quirk agreed that Scrutiny must be empowered to hold the executive to account. In response to the concerns raised regarding underspend, he responded that Council budget and expenditure is reviewed monthly at Executive Management Team meetings.

Dan Hawthorn responded to the point raised regarding disposal of properties that the Housing Asset Management Strategy would be brought to Leadership

Team this month. There was also work being carried out on a broader Asset Management Strategy. These two strategies should help to provide clarity on the Council's new approach to disposals.

Cllr Campbell responded that changes to scrutiny and governance have been implemented. Furthermore, the Centre for Public Scrutiny are currently conducting a review.

Andrew Ling stated that due to the importance of the Kroll Report, the Committee should have been made aware of this prior to its publication. He questioned whether there has been significant evidence of the supposed changes mentioned throughout the report. He also suggested that the response in the covering report had too much of a focus on process and was overly defensive rather than providing evidence of action and change.

The Chair drew attention to the recommendations and suggested that, in response to the comments received, a recommendation should be added that an annual report on best value is provided to the Audit and Transparency Committee.

Action: David Hughes to add recommendation to the covering report.

Barry Quirk added that the Kroll Report would be used as a tool for wider organisational change. The Chair and the Leader seconded this point responding that the report was too narrow to capture progress on community change. There should be an annual report on how the Council was changing as an organisation.

Cllr Williams agreed with Cllr Dent Coad's comment in regard to scrutiny and stated that with regard to property disposals, post decision scrutiny was of limited value. Pre-decision scrutiny was essential. He added that regarding the recommendations in paragraph 5, this should be brought back to the

Committee to be looked at from a control point of view. Barry Quirk responded by agreeing that improvements were needed in corporate governance arrangements. The Leader commented that the Centre for Public Scrutiny was currently conducting a review of scrutiny and it was sensible to wait for the outcome of this review before considering changes.

Cosette Reczek added there should be written and specific evidence of how the community engagement occurred before such decisions were taken.

Dan Hawthorn commented that in response to the recommendation at 5.2 the first Leadership Team report on progress with the Social Investment Strategy was scheduled for Leadership Team in May. This will describe how social value considerations were being built into decisions made around housing and property.

Cllr Blakeman asked what was meant by consultation and how it would be carried out. Barry Quirk agreed that further public consultation was needed prior to decision making, particularly community consultation as is outlined in the Charter for Public Participation. Cllr Blakeman underlined her concern over that there is a lack of clarity meant on what is meant by community consultation.

Cllr Lindsay queried how publicised the report had been and whether it had been shared with residents in the north of the Borough. The Leader responded that journalist had been informed and an article was included in The Guardian. Cllr Dent Coad informed the meeting that the findings of the Kroll Report were not included in the North Ken Magazine.

The Chair summarised that the need for an annual report on 'best value' to be brought to the Committee would be added to recommendation 5.5. Barry Quirk added that officers would look again at community consultation and what it meant.

RESOLVED – (with Cllr Dent Coad voting against)

- (i) That the Committee note the independent review report (as set out in Appendix 2) and the Council's response and recommendations for action arising from that review (Appendix 1), as set out in the covering report from the Chief Executive and Director of Audit, Fraud, Risk and Insurance.
- (ii) That an additional recommendation be added to paragraph 5 of the officers' report so that the Audit & Transparency Committee receive an annual report on 'best value' as described above.

A6. REPORTS FROM GRANT THORNTON

i) ANNUAL AUDIT LETTER 2019/20

Paul Grady outlined that there was no new Information included in the Annual Audit Letter outside of what was already included in the annual audit report.

Liz Murrall raised concerns around sufficient audit evidence, financial forecasts and problems obtaining documents from the Council's valuation specialists. Paul Grady responded that the Audit Letter was a summary and the further detail relating to these concerns was in the Audit Findings Report.

The Chair thanked officers for their hard work around this and queried whether finance staff were having sufficient opportunity to take a break from work. Paul Grady agreed that burnout was a risk and reinforced the importance of staff taking breaks from work.

Andrew Ling asked whether any mention of the Kroll Report should be included in Audit letter. Paul Grady responded that the Annual Audit Letter was finished in October 2020 so it was not possible to include it at that time but the Kroll report would be discussed in the next Audit Letter. It would be taken into account but was not likely to alter findings from the reporting on the Grenfell process to date or previous value for money reports in the

Annual Audit Letter. Nothing had been found which suggested organisational change had not been implemented. Paul Grady shared that Grant Thornton were mindful that their audit predecessors had not yet finalised their work on the value for money conclusion dating back to 2017/18 and did not wish to prejudge what they may say. He explained that as apolitical external auditors they were striving to produce information that was as factual and evidenced based as possible.

Cllr Dent Coad asked for clarification around some of the language used in the report particularly “outcomes-based approach” and “cultural change”. Paul Grady responded that with regard to outcomes-based approach this was in reference to outcomes for local residents. He agreed with criticism of the phrase “culture change” however explained that it was shorthand phrase to sum up the multitude of changes occurring at the Council such as the change within the decision-making process.

ii) 2020-21 AUDIT PLAN

Paul Grady explained that in the past few years fees had been higher than set out in the initial scale fee. That had now been recognised by MHCLG which had now committed enough funding to cover fees as they were reported in the 2019/20 Annual Audit Letter. Grant Thornton was currently awaiting the outcome of MHCLG work to determine the funding different Councils will get.

Liz Murrall asked a question on materiality regarding the increased percentage from 1.3% to 1.5%. She also asked what wider controls were looked at along with journal entries and to what extent compliance testing was carried out. Paul Grady informed that he was not aware of an increase in percentage, therefore, that may be a typo.

Action: Paul Grady to check percentage change.

Paul Grady responded that substantive testing was carried out but they did

not perform a controls based approach as the substantive approach obtained a high level of assurance and was more cost effective.

Cosette Reczek suggested that the materiality increase from £10 million to £11 million caused the increased percentage. Paul Grady responded that materiality was based on what level of error in the financial statement could cause a reader of the accounts to be misled on the financial position of the council. As a consequence, 1.5% is at the higher end so that a reader of the accounts would not be misled. The quality of the finance team and the quality of the accounts are both high and therefore materiality was increased to £11 million as the risk of error is low.

Cosette Reczek also critiqued the inclusion of Grenfell recovery in the value for money section of the paper in light of this being a highly sensitive topic. Cllr Lindsay suggested these could be written in separate paragraph to improve the presentation of this document. Paul Grady accepted this point.

iii) PROGRESS REPORT

The Chair asked for clarity on teachers pensions administrators. Paul Jacklin responded that this is the teachers' pension scheme which is administered by Hampshire Council. Cllr Williams added that the teachers were in an unfunded government scheme not LGPS.

A7. IBC UPDATE

Debbie Morris presented this report. Since 2018 the Council had been in a partnership with Hampshire who provide transactional HR in payroll and financial services. The processes were well imbedded now 2 years on. Areas which were facing challenges were recruitment and learning management system. RBKC's HR had not yet been able to work with Hampshire's HR to get the Success Factor's system operating and as result managers have lost time trying to process recruitment. A small in house team was assisting in speeding up the process of submitting conditional offers of employment. There were also difficulties in staff creating their training records which was currently being investigated. The procedure for staff recording sickness absence currently

meant that staff must submit their own sickness absence but this will soon change so that managers can submit sickness absence on behalf of their staff. All policies were posted on the staff hub.

Taryn Eves reported that in terms of finance, whilst the system was operating well there were challenges in areas of budget and forecasting. This had progressed over the last year, particularly in areas of budget management ownership and responsibility. The procurement and purchasing side of the system had also progressed but as a self-service model it had been challenging. A dedicated task and finish group had been set up to help those services struggling to adopt the model.

Cllr Dent Coad asked for clarity around rejected invoices and the high figure of 18% late payments. Taryn Eves responded that these two were interlinked as IBC operated a procedure of no purchase order no pay. This has helped the finance team to implement the policy where all invoices need a PO number.

Action: Taryn Eves to share data with the committee on invoices paid after 30 days (late invoices).

A8. CORPORATE ANTI-FRAUD POLICIES

David Hughes presented two Council policies which have been reviewed, the Whistleblowing Policy and the Anti-Money Laundering Policy. There was a new Whistleblowing hotline provider, Protect, Speak Up and Stop Harm. Following a review on the threshold for significant sums within the Anti-Money Laundering Policy, it was decided that the figure would be kept at £10,000 as this was in line with HMRC guidance although this would be kept under review.

Cllr Lindsay drew attention to the wording around the “expectation that employees will want to raise concerns” regarding whistleblowers, as historically whistleblowers had not been treated well. David Hughes responded

that the expectation was that employees would want to raise concerns rather than they must as the wording may suggest. Cllr Lindsay also asked whether Councillors are classed as employees. David Hughes referred to the mention of Councillors under “others associated with the Council”.

Action: David Hughes to look at examples of best practice regarding where Councillors should be classified.

Liz Murrall noted in Anti-Money Laundering Policy it expresses a requirement to make staff aware of this policy, but this is not included in the Whistleblowing policy. David Hughes confirmed that staff were made aware of Whistleblowing Policy but would include mention of this in the paper too.

Action: David Hughes to include in Whistleblowing Policy.

Cosette Reczek asked how these policies related to safeguarding and how concerns about the vulnerable were flagged. David Hughes responded that the Council had separate policies to deal with safeguarding and other concerns but endeavoured to include reference to these in the Whistleblowing Policy.

Action: David Hughes to include in Whistleblowing Policy.

A9. GRENFELL FINANCES – ORAL UPDATE

Taryn Eves commented that an extraordinary meeting had been arranged for 11 May 2021 where a full report would be presented. Suggestions from Members about the scope of the report were welcomed.

Liz Murrall said that the function of the Audit and Transparency Committee

was to scrutinise financial and non-financial risk and asked if this was being met. David Hughes clarified that the focus of the Committee was to look at the risk and control of the authority rather than what money had been spent on. Cllr Lindsay added that the Council's OSC was looking at other aspects of the Grenfell Tragedy and Recovery.

Action: David Hughes and Taryn Eves to provide background and context in the report of the work being carried out by other committees to scrutinise decisions regarding Grenfell.

Cllr Dent Coad suggested that staffing numbers should be included, specifically staff at various grades and what responsibilities this involved. She added that it was important to include where the money was coming from. Cllr Dent Coad also raised concern around the discussion of 'fraud related activity' and the importance of underlining the division between misclaims and criminal activity from individuals external to the community. David Hughes thanked Cllr Dent Coad for her feedback and agreed on the importance of making this distinction.

The Chair proposed that it would be useful to circulate details about reports on Grenfell going to other committees amongst Audit and Transparency Committee members.

Action: Governance Services to collate a list of reports and circulate to A&TC members.

Andrew Ling queried whether this report should have been done by an external auditor due to its highly sensitive nature. The Chair responded that this could be a recommendation following the meeting on 11 May 2021.

A10. DIRECT PAYMENTS AUDIT - INTERIM REPORT

Moira Mackie introduced the report and added that a more thorough report would be provided in June. This interim report was to indicate the progress being made so far. Liz Murrall noted that high priority recommendations had not been implemented yet and that the progress on these should be included in the full report.

Cllr Dent Coad underlined the need to improve the direct payments system to make it more accessible to those with mental health problems. Moira Mackie acknowledged the importance of Adult Social Care service teams working with direct payments administrators.

A11. TREASURY QUARTERLY PERFORMANCE REPORT

Mat Dawson presented this report, outlining that forward rates had changed and were now in positive territory again. He pointed toward section 3.1 which summarised the December Quarter.

He added that paragraph 4.3 showed that investment in cash in the longer term had protected against interest rate reduction in the last 9-months.

The report was received and noted.

A12. INTERNAL AUDIT PROGRESS REPORT

Moira Mackie presented this report, drawing attention to work in progress and adding that there was currently nothing of significance to report.

Liz Murrall asked why expected credit losses were included in the Internal Audit Report but were not picked up by external auditors as an area of significant risk. Lubna Nasir clarified that it was not expected to be an area of significant risk. Liz Murrall suggested that this should be raised with external auditors.

Action: Lubna Nasir to raise this

with external auditors.

A13. AUDIT PLAN FOR 2021-22

Moira Mackie outlined that the purpose of the plan was to identify the key areas where the Council had persistent risk in order to be proactive in its response. The pandemic had proven that plans could change quite quickly. She proposed the plan would have a detailed view of what was happening in Q1 and a general view of Q2-4. This would be refreshed on a quarterly basis.

Cosette Reczek asked whether the audit plan was curtailed by budget cuts at the Council or other financial challenges. Moira Mackie responded that the plan was created independently and had not been subject to budget pressure.

A14. CHAIR'S ANNUAL REPORT

The report was received and noted.

Noted that the report would be put on the agenda for the next Council meeting.

Any other oral or written items which the Chair considers urgent.

No business raised.

Meeting closed at 8.58pm.

Chair