

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.05 P.M. ON TUESDAY, 21 MARCH 2017

**MP702, 7TH FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT,
LONDON E14 2BG.**

Members Present:

Councillor Candida Ronald (Chair)

Councillor Denise Jones

(Mayoral Adviser for Service Quality
and Performance)

Councillor Sabina Akhtar

Councillor Ohid Ahmed

Councillor Shafi Ahmed

Councillor Andrew Wood

Other Councillors Present:

Apologies:

Councillor Rabina Khan

Others Present:

Officers Present:

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1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

Councillor Denise Jones declared a non-pecuniary interest in Minute No. Annual Internal Audit Plan 2017/18 as a School Governor at Mulberry School for Girls.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes of the previous meeting held on 31 January 2017 were approved as a correct record of proceedings.

3. KPMG ITEMS FOR CONSIDERATION

3.1 KPMG Annual Report on Grants and Returns Work 2015-16

The Committee received the KPMG Annual Report on Grants and Returns Work for 2015/16 presented by Neville Murton (Divisional Director, Finance & Procurement) who informed the Committee of the following –

- KPMG are appointed by the Public Sector Audit Appointment (PSAA) to audit the Council's large grant claims and returns;
- KPMG have reviewed the 2015/16 Housing Benefit Subsidy claim, the pooling of housing capital receipts and the teachers pensions return;
- A couple of minor matters were identified with the claims, no adjustments were made to the amounts of Housing Benefit Subsidy due to the Council or the amount paid regarding the share of right to buy receipts payable to the Government or teacher's pension contributions;
- Testing of 100 cases identified 2 cases with errors, one error resulted in an underpayment of subsidy and one in an overpayment of £58.45; and
- KPMG's work on the Teacher's Pension return assurance engagement resulted in an unqualified conclusion such that the return had been prepared, in all material respects in accordance with the regulations underpinning the Teacher's Pension Scheme

Members enquired about the following –

- Whether or not there were further actions to be taken to correct the errors and findings;
- Were there patterns developing in the data; and
- Were the audit fees dependant on the results and effort into the audit.

Neville Murton informed the Committee that there was nothing more to be done and all the necessary actions had been taken. He stated that the audit looks for patterns that may be developing but mainly it based upon the sample size being used to conduct the audit. He also stated that the audit fees are set and are a standard scheduled fee which is routine and not dependant on outcomes.

The Committee agreed to note the auditor's Annual report on grants and returns for 2015/16.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 4.1 - Quarterly Internal Audit Assurance Report

The Committee received the Quarterly Internal Audit Assurance Report presented by Minesh Jani, Divisional Director, Risk Management.

Minesh Jani informed the Committee that the report summarised the work of Internal Audit for the three month period covering December 2016 to February 2017 and set out the assurance rating of each audit finalised in the period and gives an overall assurance rating.

Minesh Jani reported to the Committee the following –

- Of the 15 finalised audits which focussed on high risk or high value areas –
 - 12 were assigned Substantial Assurance
 - 3 were assigned Limited Assurance
 - A further 8 audits were of moderate significance with 1 being given full assurance, 5 being assigned Substantial Assurance and 2 being assigned Limited Assurance
- Overall 78% of audits resulted in an adequate assurance and the remaining 22% of audits have an inadequate assurance rating;
- At the start of the year, 3 performance indicators were formulated to monitor the delivery of the Internal Audit service as part of the monitoring process as follows –

Performance measure	Target	Actual
Percentage of Audit Plan completed up to February 2017	80%	78%
Percentage of Priority 1 Audit recommendations implemented up to January 2017 by Auditees at 6 monthly follow up audit stage	100%	50% 2 out of 4
Percentage of Priority 2 Audit recommendations implemented up to January 2017 by Auditees at 6 monthly follow up audit stage	95%	57% 4 out of 7

- **Establishment Control** – the audit was designed to review the systems and processes in place in order to provide assurance around the effective management of the Council's establishment levels and to evaluate the potential consequences which could result from any weaknesses in internal control procedures. Concerns were raised over the usefulness and completeness of the data including the fact that there are 102 posts that are detailed as being vacant for 4 or more years. There is a need for the data held on Comensura systems to be reviewed and from a sample of 20 employees tested 5 cases were discovered where the access approval forms were unable to be obtained through the ResourceLink system. A project officer has been commissioned to lead on the resourcing, establishment validation and data cleanse project as part of the One HR programme of service improvements.
- **Troubled Families** – the audit was conducted at the request of the Troubled Families Co-Ordinator to test the manual data collection and evidence collection that the programme is still having to use in Tower Hamlets. The audit was designed to review the system in place for the management and monitoring of the Troubled Families Programme. It is a £448m scheme to incentivise local authorities and their partners to turn around the lives of 120,000 troubled families by May 2015. Aiming to target nearly 4,000 families in Tower Hamlets, the borough has been provided with a budget of £2,072,145. The audit process was very helpful in enabling the programme team to understand the breadth and depth of the programme demands. The learning from the audit has been incorporated in the development of the data system.

- **Management & Control of Recourse to Public Funds Audit** – the audit applies to migrants who are subject to immigration control and as a result of this have no entitlement to certain welfare benefits, local authority housing and homelessness assistance. The Senior Manager for the team has now left the Council and there is an Interim Manager in post at the moment. A small number of families are involved.
- **Norman Grove Children’s Home** – the audit reviewed the controls in place at the Children’s Home which provides accommodation for up to 6 children aged between 13 and 17 years of age. Norman Grove had a full inspection in August 2016 and was rated “Good”. The children’s home has a budget of £831,751 for the financial year 2016/17. All the recommendations have been adhered to with the exception of Recommendation 5 relating to the “No Card Policy”. Everything else has been implemented and involves a cultural change of ensuring the recommendations are followed.
- **Control and Monitoring of Disclosure and Barring Service (DBS)** – the audit was to provide assurance that there were sound systems in place within the Council for controlling, monitoring and managing DBS checks on employees who are required to have this clearance. Monthly management information reports are being produced by the HR Service for Divisional Directors detailing those DBS checks in date. DBS certificates are provided directly by the DBS to the applicant with the council receiving reports from the DBS notifying as to when a DBS check includes disclosure information which needs reviewing by the Line Manager. A new risk assessment process has been implemented whereby dates of receipt of a disclosure are logged on ResourceLink to enable the tracking of progress for a risk assessment to be completed and relevant documentation submitted for uploading onto the system. Guidance has also been produced which sets out the roles and responsibilities within the HR Service on receipt of a disclosure.
- **Petty Cash Follow-Up** – a full systems audit on petty cash was finalised in October 2015 and was assigned Limited Assurance. The follow-up review identified that the one high priority recommendation made in the original audit report had not been implemented and therefore a further recommendation was made to improve the control framework. Agreed that all requests should be implemented, however, the NatWest accounts are still in the process of being created and debit cards being issued.

Members enquired about the following –

- Does the 102 vacant post mean a saving for Tower Hamlets over the 4 years;
- Are the systems and processes now more robust than before;
- Would staff be trained to operate the new systems and understand the new processes;
- Is there money in the programme for Troubled Families and is it dependant on other programmes;
- Are staff happy with the situation in Management Control relating to Senior Manager leaving;
- Are families still able to get assistance;

- What was the Ofsted rating prior to 2016 of the Norman Grove Children's Home;
- Does the DBS system operate in real time and do you have to go to it for data or does the data come to you;
- How does the DBS checking work and what happens with the errors when identified;
- Is the team confident that it has captured all the changes;
- What happens to the "waivers" with the new system and how many are there; and
- How are the Planning Decisions and Approvals audited.

The Committee was informed that –

- Though there are 102 vacant posts over 4 years, it does not mean that any money or savings was involved;
- The Establishment Controls are out of date and is as a result of out of posts and job titles not being changed and old structures still in the system, but processes are being monitored and improved and becoming more robust now;
- A software package has been invested in to support organisation charting directly through the web;
- Troubled Families is a short term programme and its funding is dependent on other programmes;
- There are a number of families being supported by Tower Hamlets with an expectation by Government for a quick turnaround, it is a challenge;
- Senior Managers leaving is part of what happens, so it is important that the new person is appointed as quickly as possible;
- There is a dedicated worker in place in relation to Troubled Families and as this is statutory it is a welfare type worker involved;
- Families are still getting support and processes are in place for this to be ongoing for as long as is necessary;
- Regarding the DBS systems, you have to go to it for data, but regular checks have been scheduled together with the system being able to be updated;
- The system is too reliant on individuals, but the new processes and systems in place will improve the safeguarding issues, risk assessments, more robust checks and be able to escalate issues more visibly;
- Previously the system needed a more manual approach of inputting and updating data, there were a number of inconsistencies in terms of reviewing and renewing DBS; and
- The new system will allow for regular updates and it would be monitored properly.

The Chair, Councillor Ronald, informed the Committee of the importance of ensuring that officers were present to respond to and answer questions of the Committee relating to items on the agenda and expressed her disappointment in having to defer 2 reports to the next meeting.

The Committee agreed to:

1. Note the contents of the report and to take account of the assurance opinion assigned to the systems reviewed during the period.
2. Seek confirmation from Nasima Patel regarding the Ofsted rating prior to 2016 of the Norman Grove Children's Homes.
3. Seek confirmation from Minesh Jani regarding the number of "waivers" that exist relating to the DBS scheme.
4. Defer the "Management and Control of Parking Permits" and "Brady Arts Centre and Kobi Nazrul Centre" updates to the next meeting of the Audit Committee.

4.2 4.2 - Annual Internal Audit Plan 2017-18

The Committee considered the Annual Internal Audit Plan for 2017/18 presented by Minesh Jani, Divisional Director, Risk Management.

Minesh Jani highlighted the following –

- The proposed Annual Internal Audit Plan for 2017/18 was compiled using the Internal Audit Strategy approved by the Audit Committee in December 2010;
- The process uses four assessment categories to produce a risk index for each auditable area as follows –

Assessment Category		Measure
A	Corporate Importance – Objectives/Priorities	Corporate materiality
B	Corporate Sensitivity – Impact	Reputational materiality
C	Inherent Risk	Inherent vulnerability
D	Control Risk	Control effectiveness

- Following the assessment, those systems with the highest score were added to the proposed audit plan based on the resources available;
- For 2017/17 the Internal Audit Plan comprises of 1,475 days across all directorates; and
- In line with the established protocols, all changes to the agreed 2017/18 plan will be reported to the Audit Committee in December 2017.

Members enquired about the following –

- When will the results of the recent inspection on Children's Services be available;
- Can an audit be conducted on the reasons why Tower Hamlets has one of the highest drug related deaths and drug related crimes in the country;
- Why is the Council being challenged in Court regarding the ChristChurch Primary School;
- What would be audited for the School Governance and training/clerking service; and

- Do the Inspection of Parks include safeguarding issues.

Minesh Jani informed the Committee of the following –

- Ofsted did come in and inspect Children's Services, but the report is not available yet, but as soon as it is published it will be made available;
- An audit into drug related deaths and crimes is really not the remit of Risk Management and should really be referred to the Overview and Scrutiny Committee to look into;
- There are some background issues relating to the ChristChurch Primary School and land ownership that is being dealt with and the Committee would be updated at a future meeting;
- Inspection of Parks in light of past situations does include risk assessing safeguarding issues; and
- School Governance and training/clerking service would be audited based upon the Council's arrangement to provide the service.

The Committee discussed the content of the Annual Internal Audit Plan for 2017/18 and the items that were considered to be "near misses". It was the view that "Management of Complaints" should be included in the Plan for 2017/18, but consideration needed to be given as to what it would replace. There was also discussion relating to the "calculation of SIL" and being able to include that in the Plan for 2017/18.

The Committee agreed that –

1. The Annual Internal Audit Plan for 2017/18 be noted; and
2. Minesh Jani look into including both "Management of Complaints" and "Calculation of SIL" in the Audit Plan for 2017/18 and report back to the Committee with the audits that could potentially be replaced.

4.3 4.3 - Tenancy Fraud Update

The Committee considered the Tenancy Fraud Update presented by Minesh Jani, Divisional Director, Risk Management.

Minesh Jani highlighted the following –

- The team has 5 investigators with 1 Team Leader;
- Tower Hamlet Homes provides 2 investigators comprised of 1 permanent officer on secondment to the team and 1 temporary resource sourced from Comensura;
- The balance of staff, (3) is funded by the Council;
- Government figures acknowledge that between 4% and 6% of all social housing is illegally sublet;
- An agreed target of the recovery of 50 properties was set for the team for the financial year 2016/17
- As of February 2017 the team have achieved 39 recovered sublet properties, 28 of which were THH units, stopped 9 Right to

Buys/Acquire and 7 other cases including Parking Permits, Mutual Exchanges and Housing Applications;

- As a result of the key amnesty in early 2016 a total of 9 properties were surrendered, 8 of these belonged to THH of which several were already being monitored;
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4.4 4.4 - Quarterly Treasury Management Update for Quarter Ended December 2016

5. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

The meeting ended at 9.05 p.m.

Chair, Councillor Candida Ronald
Audit Committee