

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.00 P.M. ON THURSDAY, 29 MARCH 2018

COMMITTEE ROOM ONE - TOWN HALL MULBERRY PLACE

Members Present:

Councillor Candida Ronald (Chair)
Councillor Danny Hassell
Councillor Ayas Miah
Councillor Andrew Wood
Councillor Shafi Ahmed (Substitute for Councillor Rabina Khan)

Apologies:

Councillor Ohid Ahmed
Councillor Rabina Khan

Officers Present:

Zena Cooke	– (Corporate Director, Resources)
Adam Coates	– Tower Hamlets Homes
Paul Davey	– Director of Business Transformation THH
Asmat Hussain	– (Corporate Director, Governance and Monitoring Officer)
Minesh Jani	– (Head of Audit and Risk Management, Resources)
Debbie Jones	– (Corporate Director, Children's)
Christine McInnes	– (Divisional Director, Education and Partnership, Children's)
Bharat Mehta	– (Audit Manager)
Neville Murton	– (Divisional Director, Finance, Procurement & Audit)
Tony Qayum	– (Anti-Fraud Manager, Risk Management, Resources)
Anthony Sotande-Peters	– (Interim Strategic Risk Advisor, Risk Management and Audit)
Farhana Zia	– Committee Services Officer

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No Declarations of disclosable pecuniary interests were disclosed by the Members.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes from the 23rd January 2018 meeting were agreed to be an accurate record of the meeting and were signed off by the Committee.

3. KPMG ITEMS FOR CONSIDERATION

Mr Andrew Sayers, from KPMG reported on the KPMG External Audit Plan for 2017/18 and stated there had been no significant changes to the Code of Practice on Local Authority Accounting in 2017/18 and therefore this provided stability. He informed Members the deadlines for producing and signing the accounts had advanced and this would need to be managed closely to ensure deadlines were met.

The Authorities significant risks – those risks requiring specific audit attention had been identified as:

- Valuation of land and Buildings
- Pension Liabilities
- Grant payments/property leases and
- Declarations of interest

Mr Sayers stated that other than the financial planning statements, KPMG also looked at the value for money arrangements. He said any error above 850K would need to be reported to Audit for further scrutiny. Mr Sayers made reference to the Best Value Improvement Board and work undertaken as part of this review.

Members of the Committee asked the following questions:

- Children's Services has been identified as an area of weakness by Ofsted. What is the role of KPMG in assisting to improve this area?
Our role is to examine the effectiveness of procedures and processes in place. We will take on board the concerns of other external inspectors but we must work within the remit of the code.
- In reference to page 37, and the fees mentioned. Why would additional fees be required to consider objections?
PFI schemes are not part of the criteria, so there would be additional fees for this when reviewing information.

The Committee **NOTED** the contents of the report.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 Quarterly Assurance Report

Minesh Jani, Service Head for Risk Management presented the Quarterly Internal Assurance report covering the period of January to February 2018.

The report set out the assurance rating for each audit finalised in the period and gave an overall assurance rating. He made reference to page 46 and the table which showed the total number of audits conducted and the assurance level they had achieved. He also referred Members to the table on page 47,

6.1 which showed how the internal audit service was performing against KPI indicators and the targets achieved.

Members of the Committee heard further from the Officers in the following services:

Leaving Care Service

Debbie Jones, Corporate Director for Children's Services stated she welcomed the internal audit report and the recommendations made therein. She said a formal review of the leaving care service was underway and was due to complete by Mid-April 2018. She said the review would address the concerns raised by Audit and would be drawing on best practice to achieve a better standard of care for those leaving the care service.

Ms Jones said the review would make radical changes, such as the age at which transition begins and the role of the virtual school. Performance monitoring for the service had been strengthened, with performance issues being flagged at weekly meetings and monthly performance reports being reported to the Directorate Leadership Team.

Minesh Jani added that one of the areas of concern was in relation to processes which supported accommodation in terms of commissioning and monitoring this, so to ensure the client's safety was maintained whilst achieving best value. Mr Jani said he hoped the recommendations identified would help to iron out any irregularities within the service.

Members made the following comments:

- Did not OfSted rate this aspect of Children's Services as good?
We achieved a 'requires improvement' rating but they were impressed with our commitment to children in care.
- What are the issues facing the Leaving Care Service – are they financial or safeguarding issues?

School Governor and Clerking Services

Christine McInnes, Service Head for Education and Partnerships stated that the recommendations made by Internal Audit were welcomed and she had begun the process of implementing these. She said she had met with Finance Officers to review budgets and had agreed to set up a separate Trading account for the Statutory and non-statutory parts of the service.

Ms McInnes informed Members the service had been re-structured and the Clerking service was now a separate service, which was supported by a co-ordinator.

Members made the following comments:

- Why is the Council funding the clerking service? It should be self-sustaining.
- What are the statutory services that are provided?
- The Service appears to be very popular. Would there be the same demand for it, if the Council was not funding the service?

- With regard to the recommendation made on page 52, what type of monitoring systems, are in place to rectify the concerns raised?

Starters and Leavers – Tower Hamlets Homes

Paul Davey, from Tower Hamlets Homes addressed the Committee stating that Tower Hamlets Homes had been on a journey to improve its standing and service. The organisation had been re-structured and progress had been made in implementing the recommendations of Internal Audit.

He said a review of job roles had been undertaken to identify roles which specifically require DBS checks and new guidance had been drafted so leavers and Managers were clear on what was expected of them. The new guidance made it clear that all outstanding leave must be taken prior to members of staff leaving.

Members made the following comments:

- Are you confident you now have the right procedures and processes in place to ensure those leaving the employment of THH are doing so correctly?
- Why are the processes for THH different to the Council? As an Arms-Length Management Organisation should not the processes be the same?

Officers' Expense Claims including Purchase Cards

Adam Coates from Tower Hamlets Homes stated the organisation had made good progress against the recommendations identified in the Internal Audit report. The processes and procedures for approving expense claims including purchase cards had been revised and distributed to all cardholders. The terms and conditions for use of Purchase cards had been updated and cardholders had signed a new agreement in relation to this. He said 23 out of 25 agreements had been signed and sent back and a transaction log had been set up to record all expenses.

The organisation had conducted a review of documents to ensure these were all compliant with processes and reports to the Executive Management team on a monthly basis.

Members made the following comments:

- Should not THH consider reducing the number of cardholders?
- The report states 10% of usage of purchase card were for restaurants. Have these been investigated?

4.2 Children's Services Presentation on Risk

Debbie Jones, Corporate Director for Children's Service gave a presentation on Risk Management issues for the Children's Social Care service and listed the risks identified as:

- Death or serious harm to a child that was or should have been in receipt of services, either from the council or a partner agency; and
- The risk identified in the Ofsted Inspection of Jan-Feb 2017, which stated that children and young people are being left in situations of harm and the DFE directions issued to the borough.

Debbie Jones said the risk had been assessed at 5 for likelihood and 5 for Impact with a total risk score of 25.

She said the Ofsted Inspectorate had made several comments in relation to the failings of the service from children being put “in situations of actual or potential harm for too long” to “Management oversight of assessments [being] poor and not providing sufficient action to ensure that children receive timely help and protection.”

Debbie Jones said it was important to note that whilst work was being undertaken to reduce the impact and likelihood of risk, it is not possible to completely eliminate the risk.

She said the following groups of young people were in the highest risk band:

- Vulnerable adolescents – young people who are at risk of gang involvement, child sexual exploitation, criminal exploitation (including county lines – involves the carrying of drugs to cities or towns outside of London) and children who go missing
- Children in care targeted by perpetrators who seek to exploit their additional vulnerabilities; and
- Very young children due to their natural vulnerabilities and total dependence on their carers.

Ms Jones said the Service had responded to these risks by ensuring the recommendations identified by Ofsted are implemented. Management Oversight had improved with over 95% of cases now being monitored and performance checked. She said the non-compliance to core statutory and local requirements was a real issue at the time of the inspection however changes had been made and these were now embedding within the service. Compliance was improving such as the timeliness of visits as well as improved performance for pre-proceedings.

Key threshold decision were now in line with the London Process and the number of ‘step down’ cases following assessment continues to reduce indicating improvements in the application of thresholds.

The risk assessment and risk management process was more robust especially for the areas identified. The service has ‘trigger plans’ for regular missing children and the Edge of Care Services was beginning to have an impact.

Members of the Committee made the following comments and asked questions in relation to the presentation:

- To give context, the Audit Committee had asked for a report on risk in Children's Services prior to the Ofsted inspection, due to the Internal Audit inspections, which were reporting on weaknesses within the service. Are you now able to identify risks sufficiently?
- What processes are now in place to identify risk and are staff aware of how should this work?
- How do you review risk in Children's Service? Should the risks be on the corporate risk register?
- What do you think the role of the Audit Committee should be to assist your service?

The Chair thanked Debbie Jones for her presentation and said this was helpful to Members. It provided a better understanding of the issues and risk the Service was facing and what had been done to mitigate those risks.

Equally Debbie Jones expressed her thanks to the Committee Members and said what had been achieved by the Service was through the willingness of Officers across the Council to assist in resolving the issue identified. She thanked the finance team for the financial and procurement changes that they had helped to implement and said the checks and balances introduced to tighten up processes and procedures within which the Service had significantly helped in providing a better service to their clients.

4.3 Whistleblowing Update

Asmat Hussain, Corporate Director for Governance informed Members this was the second quarterly update to the Committee and referred Members to point 3.1 which detailed the number of cases outstanding since the last committee report.

Eleven concerns were outstanding of which five have been concluded. Of those five concerns, two were upheld, one partially and three were not upheld.

Ms Hussain referred Members to point 3.2 and the lessons learnt from cases investigated. In particular she drew attention to appendix 1 which set out anonymised details of the whistleblowing cases that were upheld.

Members of the Committee made the following comments and asked questions:

- How are the whistleblowers kept informed about the investigations?
- How long are matters taking to resolve from start to finish?
- Happy with the report style and content of the report.
- When a whistleblowing case has led to changes in policy or procedure, can the Committee have regular updates on how the change made is leading to improvements and bedding in.

The Audit Committee **NOTED** the whistleblowing update and the investigation monitoring information contained within the report as well as Appendix 1.

4.4 Corporate Anti-Fraud and Corruption Strategy

Mr Tony Qayum, Corporate Anti-Fraud Manager, presented his report which updated Members on the Anti-Fraud and Corruption Strategy 2018-19.

Mr Qayum stated Local Authorities are required to maintain high standards of probity and have sound arrangements in place for protecting the public purse. He said his team worked with the regulatory authorities such as CIPFA and the National Fraud Authority to 'fight fraud locally' and have a pro-active and re-active presence across all areas of the Council's activities.

Mr Qayum, said central to their approach were themes of

- Acknowledge
- Prevent; and
- Pursue

Mr Qayum made reference to point 5.4, page 73 and said there had been a typographical error as the appendix referred to should state Appendix 2 rather than Appendix 3.

Members of the Committee made the following comments in relation to the report:

- It would be useful to have information on the role of the Police in helping to fight and prevent fraud.

The Committee **NOTED** the content of the report.

4.5 Internal Audit Plan 2018/19

Minesh Jani, Head of Risk Management presented the Internal Audit Plan for 2018/19.

Mr Jani said the Plan was devised in consultation with Senior Officers and was part of an ongoing process to ensure the correct key risks had been identified. Mr Jani said the Council was required under the Accounts and Audit Regulations 2015, to maintain an adequate and effective system of internal audit and the attached plan demonstrated the planned utilisation and coverage of internal audit resources to discharge the responsibility to the standards expected.

Mr Jani referred Members to the key risks identified on pages 101 and 102 of the agenda and asked for feedback from Members as to if they believed these to be the correct risks. Furthermore Mr Jani referred Members to pages 104

onwards which provided comprehensive detail of the risks identified Directorate by Directorate.

Members of the Committee made the following comments and asked questions in relation to the report:

- How does the Service capture indirect risk? For example, the accident in Mile End at a building site, whereby a young lady lost her life, due to bricks falling from the site.
- In reference to page 107, Members Enquiries and Members Induction, will Members be involved in the Internal Audit risk assessment?
- Welcome the Plan has identified Rapid Response team – page 109 and has included Troubled Families Grant – page 111 within the plan.
- Page 120 – 3rd Column Members Allowances and payments – Why have 10 days been allocated to this?
Mr Jani clarified this was considered but not included in the plan.
- Sickness Management – page 120 1st Column should be included in the plan.
- The risk assessment for Members Induction needs be done quickly – soon after the local elections

Members of the Committee **AGREED** and **NOTED** the Internal Audit Plan for 2018/19 and in doing so

1. Considered the proposed Annual Internal Audit plan for 2018/19 at Appendix 1
2. Made recommendations in addition to the audits listed at appendix 1.1; and
3. Considered the Internal Audit Mission and Charter at appendix 3.

4.6 Treasury Management Update Report For Quarter Ending December 2017

Neville Murton, Divisional Director for Finance, Procurement and Audit presented this report stating the report updated Members on the Treasury Management activity for the quarter ending 31st December 2017.

Mr Murton said Officers had met with the Council's financial consultants – Arlingclose and the strategic portfolio at appendix 2 showed the types of funds the Council was looking to invest in and the proposed returns that could be achieved.

The proposed investments had been discussed with the Cabinet Member for finance and all paperwork had been prepared ready for sign off in April 2018.

A report will be coming back to the Audit Committee in the new municipal year on the progress made.

Members of the Committee made the following comments and asked questions in relation to the report:

- In reference to Page 156, point 3.7.2 it is good to see that the Council is being ambitious.
- The information in Table 5 is clearly displayed and should be adopted for other reports too.

Members of the Committee **NOTED**:

1. The contents of the treasury management activities and performance against targets for the quarter ending 31st December 2017.
2. The Council's investments as set out in appendix 1. The balance outstanding as at 31st December 2017 was £467.8m, which includes £40m, pension fund cash awaiting investment; and
3. The list of selected pooled funds officers are considering for longer term investment as set out in appendix 2, and approve the approach for this strategic portfolio detailed in section 3.9

5. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

The Chair, Councillor Candida Ronald, on behalf of the Audit Committee thanked Mr Minesh Jani, Head of Risk Management for the support he had provided to the Committee, as well as his dedication and commitment to the Audit function of the Council. She wished him well in his new job and said that he would be greatly missed.

Mr Jani thanked Members for their support and said it was refreshing to see Members giving the Audit function the profile it required. He said he was thankful to Members for highlighting the importance of Audit and thanked them for their efforts.

The Chair, Councillor Candida Ronald also thanked all those present for their contributions to the Audit Committee and wished the Committee success in the future.

Zena Cooke, informed Members she would be responding to the letter from the Audit Committee and will be taking forward the points made soon after the local election.

The meeting ended at 8.42 p.m.

Chair, Councillor Candida Ronald
Audit Committee