

**LONDON BOROUGH OF TOWER HAMLETS****MINUTES OF THE AUDIT COMMITTEE****HELD AT 6.30 P.M. ON THURSDAY, 31 JANUARY 2019****COMMITTEE ROOM ONE - TOWN HALL MULBERRY PLACE****Members Present:**

Councillor Val Whitehead (Chair)  
 Councillor Tarik Khan (Vice-Chair)  
 Councillor Andrew Wood  
 Councillor James King  
 Councillor Puru Miah  
 Councillor Victoria Obaze  
 Councillor Bex White

**Others Present:**

Jonathan Gooding – Deloitte  
 Angus Fish – Deloitte

**Officers Present:**

Sandjea-Marie Green	– (Head of Youth Service)
David Jones	– (Interim Divisional Director, Adult Social Care)
Victoria Lewis	– Apprentice – Audit Team
Kevin Miles	– (Chief Accountant, Resources)
Tony Qayum	– (Anti-Fraud Manager, Risk Management , Resources)
Anthony Sotande-Peters	– (Interim Strategic Risk Advisor, Risk Management and Audit)
Steven Tinkler	– (Interim Service Head, Internal Audit & Risk Management Service)
David Williams	– (Deputy Service Head, Planning and Building Control, Place)
John McGeary	– Head of Building Control
Anu Newton	– Senior Auditor
Farhana Zia	– Senior Committee Services Officer

**1. APPOINTMENT OF VICE-CHAIR**

Following the resignation of Cllr Muhammed Harun from the Council, the Chair asked members of the Audit Committee to put forward nominations for the Vice-Chair position.

Cllr Puru Miah proposed and Cllr James King seconded the nomination of Cllr Tarik Khan, being elected as vice-chair of the Committee.

Cllr Tarik Khan accepted the nomination which was agreed by all Members of the Committee.

**2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST**

There were no declarations of disclosable pecuniary interests from the Members present at the meeting.

**3. MINUTES OF THE PREVIOUS MEETING(S)**

The minutes from the 8<sup>th</sup> November 2018 meeting were agreed and approved to be an accurate record of the meeting.

**Matters Arising**

Mr Anthony Sotande-Peters updated Members with regard to item 4.2 page 12 of the agenda CSDR0011. He informed Members the court case was heard last week and the Judge had given both sides until the end of the month to submit further submissions. Mr Sotande-Peters said this was the update he had received from the Legal Department. The case was still ongoing and had not concluded, as some reports in the media had claimed.

In relation to query raised under any other business, page 17 of the agenda, Mr Steven Tinkler stated the Divisional Director for Human Resources had replied directly to Cllr Khan. Cllr Khan stated he had not had a full response to the question raised, to which Mr Tinkler stated he would take this up with the Divisional Director for HR. The Chair asked to be copied into the emails between HR/Steve Tinkler and Cllr Khan.

**4. DELOITTE ITEMS FOR CONSIDERATION**

Mr Jonathan Gooding and Mr Angus Fish from Deloitte's introduced themselves to Members of the Committee and stated that their organisation had taken over the role of external auditors of the Council.

Mr Gooding said the letter included in the agenda pack set out the fees which would apply to the work which they had been tasked to undertake. Mr Gooding stated his team were currently conducting an interim audit and would bring a detailed audit plan for Members to consider at the next meeting

In response to questions from Members the following was noted:

- Approximately 2 to 3 thousand hours are spent on auditing activities both on and off site.
- Auditors will examine issues as per the value for money requirements and if a particular issue has been identified, Auditors are required to examine it.

The Chair thanked Mr Gooding and Mr Fish for attending the meeting.

**5. TOWER HAMLETS ITEMS FOR CONSIDERATION**

## 5.1 Internal Audit and Anti-Fraud Progress Report

Mr Steven Tinkler, Interim Head of Audit and Risk Management, introduced this report stating the report provided an update on the progress made against the delivery of the 2018-19 Annual Audit Plan, as well as the current counter fraud performance and audits which have received limited assurance ratings.

Mr Tinkler highlighted to the Committee that the Council had appointed BDO to support the delivery of the 18/19 audit plan. BDO would specifically be concentrating on the delivery of school, specialist ICT and system related audits.

In particular Mr Tinkler referred members to paragraph 4.8 of the report and stated the internal audit team had been commissioned by the Chief Executive to provide a lesson's learnt report on the recent move of Tower Hamlets Homes to Boatman House.

Mr Tony Qayum referred Members to the tabled information in paragraph 5.2 of the report as well as paragraphs 5.3, 5.4 and 5.5 of the report. Mr Qayum said the Cabinet Office data matches as part of the National Fraud Initiative (NFI) had just been received and officers within his team would be working through approximately 25,000 matches.

In response to questions from Members the following was noted:

- **ACTION:** It would be useful for new Members of the Committee to receive a presentation on the National Fraud Initiative.
- **ACTION:** Can a report be provided on the progress made by those services areas who reported a limited assurance and have attended before this Committee.
- Mr Tony Qayum stated the council had raised awareness in relation to Social Housing Fraud and would continue to work with the Communications team to this end. Mr Qayum also confirmed the team had retrieved 45 homes which had been fraudulently let and were on target to achieve 50 homes by the end of the financial year.
- Mr Qayum confirmed referrals to the anti-fraud team come via various channels including referrals from Tower Hamlets Homes. Mr Qayum said he expected a spike in identifying new cases, especially as the NFI match results would need to be further investigated.
- Mr Qayum confirmed other social landlords, other than Tower Hamlets Homes were included in the figures. Mr Qayum said the RSL have trained investigators who operate in a similar way to the Council's team.
- Mr Qayum also asked Members to note a correction at 5.2 and said the Right to buy figure should state 10 rather than 107.

Members of the Committee also heard from each Service Area Director where a limited assurance had been given.

### **Framework-i**

Mr David Jones. Interim Divisional Director for Adult Social Care stated the issues highlighted in the internal Audit report had been responded to by way of an action plan which was finalised at the beginning of January 2019.

He said teams within Adult Social Care were in a process of restructure with the aim of bringing together the brokerage and integrated social work teams plus the commissioning teams. He said work was ongoing to improve the workflow and processes in place. With regard to Framework-i this system was being phased out and would be replaced by Mosaic. Mr Jones said a number of elements needed to come together to ensure the transition of the service and changes to workflow by the end of March 2019.

In response to questions raised by Members, Mr Jones explained the mismatch of Purchase Orders could be as a result of several factors including the care package initially procured for a client costing more and/or social workers working to ensure a care package is in place, however not following through on process and updating Framework-i .

In response to why the Mosaic software would be any better, Mr Jones explained that the majority of local authorities used Mosaic as Framework-i was out dated. He said the benefits of using Mosaic was that it is designed to support the requirements of the Care Act 2015 and had the ability to connect with the software and databases used by Health professionals.

Mr Jones also confirmed staff would be provided with relevant training to use the Mosaic software. Mr Jones said that the current restructure and workflows were in preparation for the move to Mosaic.

### **Youth Service**

Ms Sandjea-Marie Green, Head of Youth Services stated the Youth Service had been restructured in 2017 and the weaknesses identified by the internal audit report were a reflection of the poor systems in place at the time. Ms Green said a third of the staff cohort had been replaced and work to improve the service was progressing.

In response to questions Ms Green said there were no clear written procedures on how to manage staff and as such the Green Book had been updated.

In relation to Declarations of Interest (DOI's) from a recruitment perspective, staff complete a questionnaire declaring their DOI's before starting work. However from a delivery perspective more needs to be done to ensure DOI's are updated when staff take on additional employment. Ms Green said the service was moving from an outputs model to an outcomes model and training

was being provided to staff to use the HR self-service to report changes in their DOI's.

Ms Green also highlighted that 7 out of 8 Youth hubs did not have ICT connectivity however she was working with the ICT team to rectify this by the end of March 2019.

Ms Green verified the audit was conducted in June 2018 and the report was made available in September 2018. In response to Member questions as to if the audit would be followed up, Mr Tinkler confirmed that it would be. Mr Tinkler also stated that the action plan for the Youth Service was agreed earlier this month, so any follow up would occur in June/July 2019, with a report coming to the Committee in September 2019.

### **Management and Control of Dangerous Structures**

Mr David Williams, Deputy Divisional Director for Planning and Building Control said the internal audit report was welcomed especially has the team worked in a busy and competitive field. He said that whilst the management and control of dangerous structures was conducted in an efficient manner clearly there had been lapses in process to ensure paperwork is completed to the desired standard. Mr Williams stated that out of the eight recommendations made, four were high priority, of which two had been put into place immediately. Mr Williams said his team was working with the legal department to resolve the issues surrounding the scheme of delegation, which he hoped would be concluded soon.

In response to questions from Members, Mr Williams said there was no risk in terms of the team's response to dangerous structures. Building control operates a 24-hour call out service and assessments of structures are made quickly, working with contractors to ensure the safety of the structure as well as the risk to the public.

Mr John McGeary, Head of Building Control added that the team consisted of four very experienced officers however as the Audit report had identified more needed to be done to ensure paperwork is completed.

Mr McGeary said an emergency number was on the council website which members of the public could call to report a dangerous structure.

In response to a question from a Member, Mr McGeary confirmed dangerous structures did not include playground equipment which was the responsibility of the Parks team.

In response to why an Audit had been conducted to look at the management and control of Dangerous Structures, Mr Tinkler confirmed this was part of the Audit Plan for 2017/18.

Members also enquired about the dangerous structure on the corner of Burdett Road and St Paul's Way, which led to a fatality when bricks fell onto a woman from a construction site. Mr McGeary confirmed officers from Building

Control were present at the site, on the day however as this was a construction site accident the Health and Safety Executive were responsible for the investigation of the accident.

In response to if cladding on buildings was considered as dangerous structures Mr McGeary stated he was part of a task force who had compiled a database of structures where ACM (Aluminium Composite Material) cladding had been used and work was on-going.

Member of the Committee **RESOLVED** to **NOTE**:

1. The contents of the report and took into account the assurance opinion assigned to the systems reviewed during the period.

## 5.2 Q3 Risk Management Update 2018/19

Mr Steven Tinkler, Interim Head of Audit and Risk Management introduced this report stating that the purpose of the report was to inform members of the ways in which risks are identified and managed. The report provided a summary of risk activities over the third quarter 2018/19 and appended at Appendix 1 was the Corporate Risk Register.

In response to questions raised by the Committee the following was noted:

- Mr Sotande-Peters confirmed the legal action with regard to Christchurch had not been lost by the Council, as reported by the Church Times. The Council had been asked to make further submissions by the 31<sup>st</sup> January 2019. Mr Sotande-Peters said the risk had been removed from the corporate register but remained on the Directorate level register. Mr Sotande-Peters said he would obtain a further update which he would email to members
- **ACTION:** Mr Sotande-Peters to obtain a further update from Legal about risk CSDR0011 which he would email to members.
- With regard to risk CSD0016, Mr Sotande-Peters confirmed this would remain on the corporate risk register for some time to come as this was a long term risk.
- Mr Sotande-Peters confirmed that of the risks removed, CSDR0011, CSDSC004 and RSB0019 these had been migrated to the Directorate level risk register.
- Members enquired about risk CSDSC0005 and the Troubled Families programme. Mr Sotande-Peters stated that the risk owner was confident about achieving the target for the payment by results claims however he would obtain a more detailed response for Members.

- **ACTION:** Mr Sotande-Peters to obtain a more detailed response with regard to the Troubled Families programme and the action taken to mitigate the risk to the payment by results claims.
- In response to why risks on the corporate register are colour coded differently and how they are measured, Mr Tinkler stated that the appropriate level of risk is placed on the register in consultation with the Corporate Leadership team. Mr Tinkler said a short presentation from each Directorate on their risk could be arranged if Members desired.
- **ACTION:** Members agreed they would like to have access to the Directorate level risk registers.
- Mr Sotande-Peters confirmed the two new risks were added to the corporate risk register because of the following reasons. CLPRCG0040 related to the Waste Strategy and bringing the service back in-house and ICT0071 was in relation to workforce strategy and proposed restructure of Customer Services.

Members of the Committee **RESOLVED** to **NOTE**

1. The corporate risks and recommend changes and updates as necessary.
2. Request risk owner(s) with risks requiring further scrutiny provide a detailed update on the treatment and mitigation of the risk including impact on the corporate objectives at its next meeting.
3. Ensure that an effective risk management framework is in place within the Council and leading the council to be a risk mature, dynamic risk organisation.

### **5.3 Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report For 2019-20**

Mr Kevin Miles, Chief Accountant Corporate Finance presented the report and stated the report included an update on the treasury management activity, the investment strategy and the Capital Strategy. Mr Miles said the report would also be considered by Full Council at its meeting of 20<sup>th</sup> February 2019.

Mr Miles said there had been no major changes to the strategies since last year's report and that the Council was lending to other Local Authorities rather than the banks.

Mr Miles referred Members to paragraph 3.30, the capital programme and prudential borrowing and stated that the borrowing would be up to £276m in total from 2019-2022.

Mr Miles also referred Members to paragraph 3.26 and stated that the legislation in relation to money market funds and pooled funds for Capital Expenditure for local authorities needed to be amended as these funds would become capital expenditure when the UK leaves the EU if the legislation was not amended.

In response to questions from members the following was noted:

- Mr Miles reassured Members that the government was aware of the error in legislation and was working to rectify this by the scheduled exist date of 29<sup>th</sup> March 2019. However it was a question of waiting and seeing what would happen. He said the fund would be treated as capital receipts rather than revenue income in that eventuality.
- In response to why the total fund in the table at paragraph 3.30 for 2018/19 and 2019/20 showed an increase and then a drop in 2020/21 and 2012/22, Mr Miles explained that the new Whitechapel development was the cause of the temporary increase. Mr Miles said he would confirm the reason for the peak which he believed was due to the Housing Revenue capital schemes.
- **ACTION:** Mr Miles to send Members of the Committee an email as to the reasons why there is an increase in the capital programme.
- Mr Miles confirmed the Council was looking to invest in 'greener' investments and was moving away from investing in fossil fuels if suitable investments with equivalent returns and cash flows were identified. Officers continue to work with the Council's advisors to identify suitable investments. He confirmed this was the long term strategy of the Council.
- With respect to Mulberry Housing Society Mr Miles confirmed there were property acquisitions in the pipeline however the Society was a little behind on schedule.

Members of the Committee **RESOLVED** to

- i. Approve and adopt the following policy and strategies:
  - a) The high level overview of Capital Strategy Report set out in section 2 at annex A attached to this report;
  - b) The Treasury Management Strategy set out in sections 5-7 at annex A attached to this report, which officers involved in treasury management, must then follow;
  - c) The new Investment Strategy set out in section 8 at annex A attached to this report, the Council has committed up to £54.6m of service investments to Seahorse Homes Ltd and Mulberry Housing Society;
- ii. Approve the prudential and treasury management indicators as set out in appendix 1 of annex A attached to this report;



- iii. Note section 3.26 latest development of money market funds (MMF) and pooled funds and section 3.27 -3.29 on MMF reformation; and
- iv. Delegate authority to Acting Corporate Director, Resources
  - to amend prudential and treasury indicators, once the capital programme is finalised.

#### **5.4 Draft Accounting Policies 2018/19 and 2019/20**

Mr Kevin Miles, Chief Accountant Corporate Finance introduced the report stating the report presents the accounting policies which will be implemented during the financial year 2018-19 as reflected in the published Statement of Accounts for that period.

Mr Miles stated that there had been no significant changes to the accounting policies save the amendment to leases as per section 6 of the appendix and changes to the Minimum Revenue Provision (MRP) in relation to housing asset.

In response to questions from Members the following was noted:

- Mr Miles explained that in relation to MRP the debt would be paid off over the asset lives, which could equate to around 2% of housing debt each year. He said it was a voluntary minimum revenue provision over the life of the asset as recommended by the Local Authorities (Capital Finance and Accounting) (England) regulations 2003.
- Mr Miles also stated that in respect to the balance sheet, external valuers, would value properties owned by the Council.

Member of the Committee **RESOLVED** to **APPROVE**

1. The accounting policies and provided comment on the summary savings position
2. Agreed the amendment to the council's policy on MRP chargeable on housing assets

#### **6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT**

There was no any other business discussed at the meeting.

The meeting ended at 8.22 p.m.

Chair, Councillor Val Whitehead  
Audit Committee