

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.00 P.M. ON TUESDAY, 21 SEPTEMBER 2010

**ROOM M71, SEVENTH FLOOR, TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present:

Councillor Carlo Gibbs (Chair)

Councillor Craig Aston

Councillor Rabina Khan (Vice-Chair)

Scrutiny Lead Member, Prosperous
Communities

Councillor Mizan Chaudhury

Councillor Abdul Asad

Other Councillors Present:

Nil.

Officers Present:

Chris Naylor

– Corporate Director Resources

Alan Finch

– Service Head Corporate Finance, Resources

Claire Symonds

– Service Head, Customer Access, Communities
Localities Culture

Minesh Jani

– Service Head, Risk Management

Jill Bell

– Head of Legal Services (Environment), Legal
Services

David Tully

– Interim Head of Finance, Children Schools and
Families

Mark Abrahams

– Interim Service Head Procurement and
Programmes, Resources

Jon Hayes

– District Auditor, Audit Commission

Tony Qayum

– Head of Audit Services, Internal Audit, Resources

Steve Vinal

– Service Manager, D&T PSIA Ltd

Shona Milton

– Audit Manager, Audit Commission

Sally – Anne Eldridge

– Senior Audit Manager, Audit Commission

Andrew Robertson

– D&T PSIA Ltd

Kevin Miles

– Chief Accountant, Resources

Sharon Allen

– Tower Hamlets Homes

Zoe Folley

– Committee Officer, Democratic Services Chief
Executive's

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1. APOLOGIES FOR ABSENCE

Apologies were received on behalf of Councillor Stephanie Eaton.

2. DECLARATIONS OF INTEREST

Councillor Mizan Chaudhury declared a general personal interest in the agenda. The declaration was made on the basis that the agenda contained references to Tower Hamlets Homes and Councillor Chaudhury was a member of the Tower Hamlets Homes Board.

3. UNRESTRICTED MINUTES

RESOLVED that the unrestricted minutes of the meeting held on 13th July 2010 be approved.

- **Matters Arising**

The Chair reported that the Labour Group had now appointed a second Deputy Member to the Committee and it was **Agreed** that this information should be passed on to Democratic Services for action.

Action: Z Folley Democratic Services.

In relation to the issue of additional meetings (Page 3 of the minutes Audit Committee Terms of Reference), it was emphasised that the Committee should try to capture as much work as possible within the existing schedule of meetings.

Members were advised that should they still wish to schedule in extra meetings, then they would need to put any such requests in writing to the Chief Executive showing reasons for urgency.

Members noted the implications of arranging additional meetings and the need to have regard to their terms of reference when suggesting topics for review by the Committee.

In relation the Benchmarking Club Results (Page 6 of the minutes, Internal Audit Annual Report 2009/10) Mr Minesh Jani (Service Head, Risk Management) confirmed that the figures did indeed cover the whole audit function.

4. UNRESTRICTED AUDIT COMMISSION REPORTS FOR CONSIDERATION**5. ANNUAL GOVERNANCE REPORT - COUNCIL ACCOUNTS AND PENSION FUND ACCOUNTS**

Councillor Abdul Asad declared a general personal interest in the agenda. The declaration was made on the basis that the agenda contained references

to Tower Hamlets Homes and Councillor Asad was a member of the Tower Hamlets Homes Board.

Special Circumstances and Reasons for Urgency **Agreed.**

- The report was unavailable for public inspection within the standard timescales set out in the Authority's Constitution, because of the continuation of discussions between the Council and its Auditors regarding items of account which it had been anticipated would be completed in time for publication of the agenda for this meeting of the Audit Committee.
- The Corporate Director Resources recommended that committee note the findings of the annual governance report for 2009/10 to allow the auditors to provide their audit opinion by the statutory deadline of 30th September 2010.

Mr Jon Hayes (District Auditor) presented the Annual Governance Report for both the Statement of Accounts and the Pensions Fund.

Mr Hayes reported that, as the audit was continuing there may be further matters to report to the Committee before the opinion is issued. Members were asked to consider the matters raised in the reports.

Mr Hayes asked Members to take note of the adjustments to the statements, and unadjusted mis - statements and requested that the Chair sign the letters of representation on behalf of the Council for both accounts.

In reply to questions about the THH Pensions Fund cost guarantee, (where there was a recommendation that the liability be raised as a provision), Mr Finch (Service Head, Corporate Finance) explained the reasons for including this within the Council's accounts as per previous years.

There was no reason for treating the two liabilities differently as THH was part of the Council. Besides, making this adjustment would involve an additional charge to the Housing Revenue Account. The accounting treatment of this did not affect the overall General Fund balance. Officers would keep the matter under review.

The Committee stated they were happy for the accounting treatment of the liability to stay the same as per officers' recommendation, whilst the deficit remained at £1.3 million. However should the figure increase, the Committee requested a further report on this matter.

In relation the fixed asset balance sheet, Officers clarified that the errors related to a small number of properties, but this issue would be rectified during the 2010/11 process.

In response to further questions, Mr Naylor (Corporate Director Resources) explained the steps being taken to address the outstanding queries and the reasons for the delays, due the complexity of the process/the pressures arising from this years budget setting process. However, Officers were on target to resolve the issues.

Officer expressed a commitment to review the lessons learnt and to apply these accordingly in the future when finalising the accounts. The Committee expressed a wish to keep a watchful eye over the key issues.

In reply to questions about the saving targets, Officers referred to the need to identify savings whilst protecting key front line services.

RESOLVED:

1. That the Annual Governance Reports for 2009/10 for both the Statement of Accounts and Pension Fund, in particular the points on page 5 of the respective reports be agreed; and
2. That it be noted that if the auditor identifies any further significant issues, then they will bring them to the attention of the Chair of the Committee. The Chief Finance Officer will also brief members of the committee and, if necessary, prepare a formal report to the next meeting of the committee.

6. UNRESTRICTED REPORTS FOR CONSIDERATION

7. QUARTERLY INTERNAL AUDIT ASSURANCE REPORT

Mr Minesh Jani (Service Head, Risk Management) presented the Quarterly Internal Audit Assurance report. The report summarises the work of Internal Audit for the period July to September 2010. The report also set out the assurance rating of each audit finalised in the period and gives an overall assurance rating.

Finding of the individual reports were attached to the report with details of their assurance rating.

In relation to the follow up Audits and the outstanding recommendations, it was reported that relevant Service Heads had been asked to identify a time line for their completion and, where necessary, would be requested to report back to the Committee to address any outstanding issues. Audit issued timely and frequent reminders to ensure recommendations were implemented as agreed, and worked closely with Deloitte to ensure services agreed and understood the implications of the recommendations and what needed to be done. All finalised reports were reported to the Corporate Directors. Members stressed the need for the recommendations to be implemented.

In relation to the individual reports with a nil assurance scores, the Committee noted the following points:

a) Central Foundation Girls Secondary School.

Mr David Tully, (Head of Children's Finance, Children's Schools and Families) reported progress with this Audit. Children's Services had offered the school a

considerable amount of additional support. Officers had been working closely with them to ensure the recommendations were implemented and the National Standards for Schools were applied. They were also working on the idea of 'Health Checks' for Audits in Schools which should be of benefit to the school. In reply to questions, it was reported that the School would automatically be re inspected in six months time by both Audit and Children's Services and that the follow up report would be reported back to the Committee. In reply to questions it noted that it was required that all staff working with children would use the Common Assessment Framework.

b) Contract Management and Monitoring - Corporate Review

Mr Mark Abrahams (Procurement and Corporate Programmes) presented the progress report. He explained the purpose of the Audit designed to test the systems for contract monitoring. The report highlighted the key areas where further work needed to be carried out. Mr Abrahams explained the merits of the Tollgate process and the Competition Board, which it was expected should significantly strengthen levels of control, would address the issues, and generate efficiency savings.

The Committee also noted the role of the Competition Board in testing procurement plans to ensure better value for money.

Ms Jill Bell (Head of Legal Services, Environment) referred to the plans to install a central depository for contracts. Contracts exceeding a certain amount would be held in Legal Services. Officers were also now keeping a Contracts Register to highlight opportunities with other London Boroughs with view to identifying efficiencies and savings. Officers were also exploring the idea of keeping e - copies of contracts. It was intended that Legal Services would be submitting a number of reports to the Competition Board to pursue such innovations.

c) Axis Income Management and e-payments

In reply to questions, Mr Steve Vinnal explained the purpose of the e-payments income management system. Ms Symonds (Service Head Customer Access, Resources) reported that the Capita SBS servers had now completed the Self Assessment Questionnaire. It was also anticipated that the outstanding recommendations would be implemented by October 2010. Officers also reported on their intention to thoroughly test the system and that they would be encouraging people to pay on line and the Resources Department to promote this.

RESOLVED:

That the contents of this report and the assurance opinion assigned to the systems reviewed during the period be noted.

8. SOCIAL HOUSING FRAUD UPDATE

Mr Tony Qayum (Head of Audit Services) presented a report. The report summarised progress with tackling social housing fraud, achieved since March 2010.

Officers reported that discussions had taken place with CMT to consider ways of continuing this initiative given the issues around future funding. Officers acknowledged that, whilst the Housing Fraud Team had made significant progress, there were question marks over the continuation of the government funding for tackling housing fraud. Mr Naylor (Corporate Director Resources) expressed a wish to investigate the cases, listed in the report, (paragraph 4.7) further to establish the profile and circumstance of those involved (i.e. to establish who exactly the property were being unlawfully let out to). A further report looking at this could be brought back to a future meeting. This could look at the methods for gathering evidence and could explore the merits of the tests.

It was also reported that Officers explored good practice and achievements elsewhere to identify innovative ways of tackling social housing fraud. The Council encouraged the practice of whistle-blower. The whistle-blowing policy was well publicised to encourage people to come forward. The Committee discussed way of encouraging more people to come forward. It was also reported that THH routinely carried out tenancy Audits and were working closely with the Social Housing Fraud Team in delivering the results.

The Committee also discussed the exact benefits to the Council of carrying out this work and the Council's legal powers as a Landlord in gaining access to properties.

RESOLVED:

That the content of the report be noted.

9. ANNUAL ANTI FRAUD REPORT 2009-10

Mr Tony Qayum (Head of Audit Services) presented the Annual Anti Fraud Report including a summary of investigations carried out by the Housing Benefits service, the Parking Service and Insurance Services. Following a briefing discussion where Mr Qayum highlighted the key findings and successes, it was:

RESOLVED

That the content of the report be noted.

10. THE NATIONAL FRAUD INITIATIVE 2010-11

Mr Tony Qayum (Head of Audit Services) presented the report. Following a brief discussion where Mr Qayum explained the purpose and background to the National Fraud Initiative and the statutory framework, it was:

RESOLVED:

That the contents of the report be noted.

11. TREASURY MANAGEMENT ACTIVITY FOR PERIOD ENDING 31 AUGUST 2010

Mr Alan Finch (Service Head, Corporate Finance) presented the report which advised the Committee of treasury management activity for the current financial year up to 31st August 2010.

Members noted the current criteria for investment, the investment strategy, and returns for the period which were higher than expected.

In reply to questions, Mr Finch reported that Officers were constantly seeking to maximize returns on investments within the present criteria. The Council reviewed the scheme on a regular basis and frequently held meetings with its Treasury Advisors to consider the strategy. Members noted the merits of minimizing exposure, given current market conditions.

It was noted that the current balance was higher than anticipated at the start of the year. Mr Finch reported that the balance was likely to fall to the levels of previous years, due to the plans to pursue existing housing opportunities.

RESOLVED:

That the content of the report be noted.

The meeting ended at 8.50 p.m.

Chair, Councillor Carlo Gibbs
Audit Committee