

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.00 P.M. ON TUESDAY, 25 SEPTEMBER 2012

**MEETING ROOM C1, FIRST FLOOR, TOWN HALL, MULBERRY PLACE, 5
CLOVE CRESCENT, LONDON, E14 2BG**

Members Present:

Councillor Carlo Gibbs (Chair)

Councillor Craig Aston
Councillor Stephanie Eaton
Councillor David Edgar

Officers Present:

Alan Finch	– (Service Head Financial Services, Risk & Accountability, Resources)
Tony Qayum	– (Corporate Fraud Manager, Internal Audit, Resources)
Minesh Jani	– (Head of Audit and Risk Management, Resources)
Shona Milton	– (Audit Manager, Audit Commission)
Kevin Miles	– (Chief Accountant, Resources)
Bharat Mehta	– (Audit Manager)
Jill Bell	– Head of Legal Services (Environment), Legal Services
Chris Holme	– (Service Head, Resources)
Alan Bryce	– (Audit Commission)
Steve Vinall	– (Deloitte Touche)
Jon Hayes	– (Audit Commission)
Antonella Burgio	– (Democratic Services)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Abdal Ullah.
Apologies for lateness were received from Councillor Anwar Khan.

2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

No declarations of disclosable pecuniary interest were made.

3. UNRESTRICTED MINUTES

The unrestricted minutes of the meeting held on 26 June 2012 were approved as a correct record of proceedings.

4. UNRESTRICTED REPORTS FOR CONSIDERATION

4.1 Fraud Briefing from Protecting the Public Purse

The Committee received a presentation from Alan Bryce of the Audit Commission concerned with national and local measures in detecting and monitoring areas of fraud which affect councils and related bodies. The presentation supplemented the fraud briefing circulated at agenda item 4.1 which reported the Council's performance on tackling fraud in comparison to its neighbouring and peer authorities in 2012 and provided a cumulative trend analysis over three years since the initiative had been established.

Members noted the matters advised in regard to growing areas of fraud detection such as housing tenancy, single person discount, (social care) personalised budget and procurement frauds.

Members were advised that in since January 2012, the Council has worked to establish relationships with registered social landlords to identify what housing tenancy fraud issues exist.

Members were advised that in 2010-11, the Council reported no single person discount fraud. This then was investigated and data found. Mr Bryce therefore recommended that this data be reported by the Council.

Members noted the commendation of the Council's approach to dealing with personalised budget fraud and Mr Bryce advised that the Audit Commission had brokered the sharing of this good practice, with other authorities which had expressed an interest, with the agreement of the departments involved.

Members noted the matter of a contractor timesheet fraud raised at Council and were advised that the Fraud manager would investigate the referral and report back to Council. The Committee was advised that contractor timesheets were monitored and authorised through the departmental management structures.

RESOLVED:

- 1 That the presentation be noted
- 2 That the contents of the report be noted
- 3 That single person discount fraud data be reported in future
- 4 That the referral by Council to the Head of Paid Service and Fraud Manager concerning a contractor timesheet fraud be noted

5. UNRESTRICTED AUDIT COMMISSION REPORTS FOR CONSIDERATION

5.1 Annual Governance Report - Council Accounts 2011-2012

Mr Jon Hayes of the Audit Commission presented the report circulated at agenda item 5.1. He advised that the annual governance report - audit 2011 - 12 was delivered in accordance with statutory deadline and reported that, in the main, the outcome of the annual audit had been satisfactory.

Mr Hayes noted the following areas of the report:

Page 5 - audit "uncertainties in the financial statement",

Page 6 - significant risks and findings,

Page 7 - table of areas to be focused on during the annual audit,

Page 9 - Weakness in internal control - page 9

Pages - 10 & 11 - matters significant for oversight of the council's financial reporting process and data cleansing,

Page 13 - value for money arrangements were satisfactory,

Appendix 1 - draft independent auditor's report

Appendix 5 - action plan & recommendations arising from the audit

Mr Hayes advised that, following changes in regulations, the annual audit henceforth was to be undertaken by KPMG.

In response to questions from the Committee, the following information was provided:

Concerning "uncertainties in the financial statement", the Service Head Financial Services, Risk & Accountability agreed that appropriate control processes needed to be put in place and acknowledged that there was opportunity to do this. However it would be necessary to ensure that enough time was given for quality assurance before the accounts were published.

Concerning the un-reconciled difference discovered during an audit of sample cash account reconciliations, Mr Hayes noted that an anomaly of this kind could arise where an item in a closed account has not been fully written off. To avoid this, he recommended that regular maintenance of accounts should take place.

Concerning the submission of whole of government accounts within the statutory deadlines, Mr Hayes noted that the submission would be ready by the statutory deadline of 5 October 2012. To meet deadlines for the forthcoming year he suggested that the Committee consider a meeting one or two weeks earlier in order to meet the deadline

Noting that future audits would be undertaken by private companies, Members sought assurance that there was comparative data on the work required to produce audited accounts to ensure that auditors' fees would not escalate unreasonably. Mr Hayes advised that fees would be fixed for the next five years. Any variation would need to be agreed by the Audit Commission therefore councils were protected.

Mr Hayes advised the Committee arising from the changes in regulations, he would no longer undertake audits but would continue at the Audit Commission in a different capacity.

The Chair noted Mr Hayes departure to take up a new role and thanked him for his audit work on behalf of the Council over the past five years.

RESOLVED

That the draft audit to be approved

5.2 Annual Governance Report - Pension Fund Accounts

Mr Hayes presented the report noting the following:

Appendix 2 - corrected errors reported at Appendix 2.

Page 6 - risks and findings highlighted had not originated from his audit

He reported that overall, the audit of the pension fund had been satisfactory and the Annual Pensions Accounts would be signed off at the forthcoming Pensions Committee meeting.

RESOLVED

That the audit report be noted.

6. UNRESTRICTED TOWER HAMLETS REPORTS FOR CONSIDERATION

6.1 Annual Financial Report 2011/12

The statement of accounts for the financial year end 31 March 2012 and accompanying report was presented by Alan Finch Service Head Financial Services, Risk & Accountability. He advised the Committee that the accounts also incorporated amendments made in the auditor's annual report and highlighted Cabinet's decision, on 20 June 2012, to allocate £950,000 to mainstream grant funding.

In response to questions from the Committee, the following information was provided:

Concerning the deficit beyond the medium-term financial strategy, this had been noted and further savings would be sought. This was outside of the Council's present medium-term financial plan and has been identified as a future risk. It was noted that the figures were not yet fully known.

Concerning arrangements for the oversight of the governance structure of Tower Hamlets Homes, the Committee was advised that a written response would be provided by Chris Holme, Service Head Resources. Additionally Minesh Jani, Head of Audit and Risk, would undertake an audit of Tower

Hamlets Homes governance in December 2012. A report will be presented to the Committee subsequently.

Concerning whether equalities issues were being properly considered in the data, the Service Head Financial Services, Risk & Accountability advised that the Auditor had confirmed that the Council's accounts gave a true and fair view of the way that monies have been used.

Concerning the decision required on officers' remuneration, the Service Head Financial Services, Risk & Accountability recommended that this matter be taken up with the Head of Paid Service.

The Committee noted that there had been significant changes in some funding streams and requested an explanation. The Chief Accountant advised that a detailed answer would be required and agreed to reply in writing.

RESOLVED

- 1 That the statement of accounts for the financial year ended 31 March 2012 be approved, having regard to the Auditor's annual governance report.
- 2 That it be agreed that, if the auditor identifies any further significant issues, the Chair of the Committee be delegated to approve any subsequent amendments to the statement of accounts that may be necessary or as a result further audit work, and that the Chief Finance Officer will brief the Committee, and if necessary prepare a formal report to the next meeting of the Committee.

6.2 Quarterly Internal Audit Assurance Report

Minesh Jani, Head of Audit and Risk, presented to the report circulated agenda item 6.2. The Committee was asked to note

- the indicators examined by means of the audit and the resulting reconciliation
- recommendations yet to be implemented applied only to one area. Where recommendations remained to be completed the Head of Audit and Risk advised that these would take up with the relevant corporate director
- the overall level of assurance provided, detailed in paragraphs 5.3 to 5.5.

In response to questions from the Committee, the following information was provided:

Further to the findings of the parking appeals systems audit at appendix 2 of the report, Members were advised that removal of the clamping organisation had not been part of the audit, however the contract management element of this service area had been examined.

Concerning the scope of the audit relating to the management of community buildings listed at appendix 1, Members were advised that this had involved inspection of systems of control beyond finance concerned with contractual arrangements were in place for the assignments of the buildings.

RESOLVED

That the report be noted, taking into account the assurance opinion assigned to the systems reviewed during the period.

6.3 Annual Anti -Fraud Report 2011/12

Tony Qayum, Corporate Fraud Manager, presented to the report circulated at agenda item 6.3 noting that, in the last 12 months, all anti-fraud functions had been managed by the Risk Management Section. The Corporate Fraud Manager noted the following highlights in the period; joint working, money-laundering investigations, and a citation for good practice regarding training that had been delivered. He also advised that future reports would include data on property abandonment.

In response to Members' questions, the following information was provided:

Concerning whether there had been under reporting of corporate frauds and whether this area was under resourced, Members were advised that the areas mostly reported were those that had been agreed as priority areas. However the Anti-fraud Team was looking to reallocate resources to enable corporate matters to be better investigated.

Concerning achieving better data matching, Members requested that other bodies be encouraged to participate in data matching exercises on a voluntary basis by liaising with Councillors who are boards members of registered social housing organisations.

RESOLVED

That the report be noted

6.4 Social Housing Fraud Update

Tony Qayum, Corporate Fraud Manager presented the report circulated at agenda item 6.4. The Committee was asked to note that the Audit Commission was considering two initiatives to address fraud via unlawful tenancies. Additionally there was cross agency working on fraud cases which were connected to bigger areas of criminality.

RESOLVED

That the report be noted

6.5 Progress on National Fraud Initiative 2010-11, and launch of NFI 2012-13

The report was presented for information, to advise members of work connected with the initiative to be launched and of reporting frameworks.

RESOLVED

That the report be noted

6.6 2011-12 Treasury Management Outturn Report

Alan Finch Service Head Financial Services, Risk & Accountability presented the report circulated at agenda item 6.6 which advised the Committee of treasury management activity for the financial year ending at 31 March 2012, prior to its presentation at full Council. The Committee was asked to note:

- the Prudential Indicators for the period
- that in last year the Council had remained within these parameters
- the investment out turn at paragraph 11 of the report, and in particular the rate of return achieved which was 1.52%.

RESOLVED

That the report be noted

6.7 Treasury Management Activity for Period Ending 31 August 2012

Alan Finch Service Head Financial Services, Risk & Accountability presented the report circulated agenda item 6.7. He reported that investment returns were slightly reduced for the period; this reflected the general trend in investments. He advised that the Council would explore investment in relatively risk-free areas but asked the Committee to note that areas of better return were generally of higher risk. Therefore it would be necessary to balance risk exposure against the potential for greater returns.

RESOLVED

- 1 That the contents of the treasury management activity report for the period ending 31 August 2012 be noted and
- 2 That amendments to the investment strategy as attached appendix 3 be referred to Council

The meeting ended at 9.00 p.m.

Chair, Councillor Carlo Gibbs
Audit Committee