

**LONDON BOROUGH OF TOWER HAMLETS**

**MINUTES OF THE AUDIT COMMITTEE**

**HELD AT TIME NOT SPECIFIED ON TUESDAY, 17 MARCH 2015**

**TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT, LONDON, E14 2BG**

**Members Present:**

Councillor Amina Ali (Chair)  
Councillor Ayas Miah (Cabinet Member for Environment)  
Councillor Rachel Blake  
Councillor Alibor Choudhury  
Councillor Gulam Robbani  
Councillor Andrew Wood

**Other Councillors Present:**

**Apologies:**

Councillor Ohid Ahmed

**Officers Present:**

Chris Holme – (Acting Corporate Director - Resources)  
Dinar Hossain – (Head of Youth and Connexions Services Children's Schools and Families Services)  
Minesh Jani – (Head of Audit and Risk Management , Resources)  
Bharat Mehta – (Audit Manager)  
Kevin Miles – (Chief Accountant, Resources)  
Tony Qayum – (Anti Fraud Manager, Internal Audit, Resources)  
Nishaat Ismail – (Democratic Services)

**1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST**

None declared.

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

The minutes of the previous meeting held on 4<sup>th</sup> February 2015 were presented for approval.

The Chair moved and it was:

**RESOLVED**

That the unrestricted minutes of the meeting of the Audit Committee held on 4<sup>th</sup> February, be agreed as a correct record of the proceedings, and the Chair be authorised to sign them accordingly.

### **3. TOWER HAMLETS ITEMS FOR CONSIDERATION**

#### **3.1 Quarterly Assurance Report**

The Head of Risk Management and Audit presented the Quarterly Assurance Report, which summarized the work of the Internal Audit period December 2014 to February 2015.

The Committee heard that;

- 16 Audits were undertaken
- 2 were assigned Full Assurance, these were the Housing Rents and Management and Control of In-house Temporary Resource Service.
- 8 were assigned Substantial Assurance.
- 6 were assigned Limited Assurance
- 9 out of 10 recommendations had already been implemented.

#### **Management and Control of On-Street Parking Income**

The audit found that there were no contract specific procedures covering collection of cash income, monitoring and reconciliation of cash income with audit rolls.

The contract monitoring procedures and how to pay contracts needed updating.

Jamie Blake informed the Committee that during the last audit, Management and Control of On-Street Parking Income had been assigned Substantial Assurance but since there have been many staff changes.

The Committee were told that there was still a substantial amount of income still in cash and the controls in place were no longer effective.

#### **Youth Connexions**

The weaknesses identified from the audit were that DBS checks for 17 of the 224 staff within Youth Services had expired. In addition, no DBS records could be evidenced for a further 23 staff.

The Committee were informed that was a process in place already to check all departments were up to date with regards to DBS checks as well as to ensure the process was being carried out correctly.

Dinar Hossain, informed the Committee that at the time of the audit the 17 individuals with expired DBS's had not been provided by Tower Hamlets.

Bishop Challoner was updated every 10 years as opposed to 3 years.

Some DBS forms had already been dispatched but they had not been completed and handed back to human resources and it was up to the individual employee to do this.

Dinar informed the Committee that he had written to all employees concerned, informing them of a specified time in which the DBS forms had to be completed and sent back and if employees failed to do this, they would face a potential freeze in their salaries or disciplinary action would be taken if not handed back at all.

#### **Information Governance Training:**

The Committee were told that 17 employees had completed the training with exception of 1 member of staff due to being on maternity leave.

#### **Electronic Home care:**

The Committee were told that this had been assigned Limited Assurance as the system used had not been fully utilized by all service providers and that there was a manual system in operation as well as an electronic one.

It had been difficult for management to keep a track of payment and some had been delayed.

The Council ceased using the IT system referred to in the report in September 2014 and the contract came to an end on 31<sup>st</sup> December 2014. Agilysis have procured a new solution on the Council's behalf (supplied by a company called Ulysses) and the Council is currently working on its implementation.

Dorne Kanareck informed the Committee that the new system should have been tested longer. Dorne Kanareck had taken over in September 2014 and since had reverted back to paper invoices.

The Committee heard that the new system was being tested before going live. Training is being provided to members of staff already and there is a report documenting exactly what went wrong with the previous system.

#### **Tower Hamlets Homes**

This audit followed up recommendations made at the conclusion of the original audit finalized in July 2013. It had been assigned Limited Assurance.

The committee heard;

- The testing showed that out of the two priority recommendations made in the original report, both had been progressed.

- Of the six medium priority recommendations, five had been progressed

The Committee were also told that there needed to be more formal and rigorous training in place when people first joined the service.

Kevin S Jones informed the Committee that a number of actions were already underway and staff would be trained accordingly.

### **Monitoring of MSG**

With regards to this audit the Committee were informed that the directorate of Communities Localities and Culture needed improvement.

The operational systems had not been as robust and the reliance was on desktop exercises to evaluate organizations. The audit trail relating to payments to organizations were found to be poor and payments made did not reflect outcome.

The Committee also heard that since the last audit committee recommendations had already been applied and a governance system was in place. Desktop monitoring was no longer being used extensively, only for those organizations which had been allocated less than £5,000

29 organizations had been agreed to the new governance system and 6 had been terminated. Organizations were being researched to see how compliance could be improved.

It was recommended that all officers administering MSG receive training and this was carried out on 19<sup>th</sup> February.

### **Tele-care services:**

This service, provided mainly to adults was assigned Limited Assurance. It is a service free of charge. The audit found that the service was operating under difficult conditions as it was not fully funded and due to shortage of staff. Assessment of adults using the service was not well documented with audit trail being poor, procedures needed updating.

The Committee heard that tele-care services historically had never been fully funded to reflect the service.

The Committee were told that a spreadsheet had been implemented which was monitored quarterly to monitor how calls were processed.

In response to Members questions the Committee were told that;

- There was no funding to provide cover for staff who were on leave or off sick
- And the department has had to bring in people from outside to maintain the service

### **Bulk Rubbish**

The main objectives of the audit were to assure management as to whether the systems of control around the Bulk Rubbish Collection system are sound, secure and adequate, and also to evaluate the potential consequences which could arise from any weaknesses in internal control procedures.

The Committee heard that the main weaknesses identified were, that there was no confirmation being obtained by the Council that people requesting collections are in receipt of Housing Benefit and therefore not required to pay the £15 fee.

The review of the contract between Veolia and the Council did not identify any key performance indicators (KPIs) against which the performance of Veolia can be monitored.

### **RESOLVED**

That the contents of the report be noted.

## **3.2 Annual Internal Audit Plan 2015-16**

This report presented by the Head of Risk Management and Audit and it presents the proposed Annual Internal Audit Plan for 2015/16. The plan was compiled using the Governance Based Audit Assessment Methodology and the Internal Audit Charter approved by the Audit Committee in June 2014.

The Committee were informed that the Internal Audit Plan should be presented in March to the Committee each year. The process used 4 assessment categories to produce a risk index for each auditable area.

The Internal Audit Plan for 2015/16 was presented in Appendix 1 of the agenda pack (page 58)

The Committee were told about the Governance based Audit Assessment Methodology (Appendix 2, page 83) The Charter provided by the Unified Institute of Auditors provided standards which everyone was expected to adhere and work to.

The Head of Risk Management and Audit informed the Committee that the Audit Plan is always under revision because of risks that arise. He also stated that a great amount of work had been done this year on systems in ESCW.

In response to Members questions;

- the Acting Corporate Director said that he could provide the internal audit plan of the last 3 years.
- Every school would be audited once every 3 years.

- There will be coverage of governance of those key areas identified by the audit.
- The paper which would be presented to the Committee in December 2015 would show changes made to the Internal Audit Plan, in order to reflect the risks identified
- There is a significant cost to the Council if sickness is not managed properly, checks and balances need to be reviewed and ensured that they are properly in place.
- The Head of Risk Management and Audit would be bring to the next Committee the Quarterly Plan of the Systems Audit.
- The last Section 101 Audit was carried out in 2014 and the report was presented to the Committee in the September meeting and there is a scheduled Section 101 Audit this year.

**RESOLVED**

- That the Committee endorsed the Annual Internal Audit Plan for 2015/16 and the Internal Audit Charter.
- And the remainder of the report be noted.

**3.3 Anti-Fraud and Corruption Strategy and Proactive Anti-Fraud Plan 2015-16**

The Corporate Anti-Fraud Manager presented this report providing the Committee with an updated Anti-Fraud and Corruption Strategy and outlines a summary of the proposed Proactive Anti-Fraud Plan for 2015-16.

The Committee heard the role of the Anti-Fraud team and about the need for effective anti-fraud work within local authorities has also been reflected by the Audit Commission.

The legislative framework states under the Local Government Act 1972 the Chief Financial Officer has a duty to ensure that there is an adequate process of Internal Audit to ensure the independent appraisal of the Council's systems of internal control, practices and systems.

One of the main issues discussed was the system in place to track down applicants who have more than one property and come to Tower Hamlets Homes more than once.

In response to Members questions the Committee heard that;

- It was difficult to compare figures of whistle-blowers to other boroughs.
- There was a robust process to evaluate each referral received

**RESOLVED**

That the contents of the report be noted.

### **3.4 Protecting the Public Purse 2014 and Transparency Code**

The Anti-Fraud Manager presented this report to the Committee, updating the Committee of the main findings of the Audit Commission's publication "Protecting the Public Purse" 2014 and informs the Committee of the requirements of the Transparency Code 2014 in regard to Fraud investigation.

The Committee were told that the report focuses on fighting fraud against local government and has been written for councillors and senior officers responsible for governance.

The report highlighted that reported fraud had increased in value to £188 million which is the highest amount ever recorded by the Commission.

The Committee were also informed about the Local Government Transparency Code which requires Local Authorities to publish data about various areas of their activities.

The new transparency code was introduced in 2014 to meet the government's desire to place more power into citizens' hands enabling demonstrable democratic accountability and ease for local people to contribute and help shape public services.

#### **RESOLVED**

That the contents of the report be noted.

### **3.5 Treasury Management Activity for Period Ending 31 January 2015**

This report presented to the Committee by the Investment and Treasury Manager, advises the Committee of treasury management activity for the current financial year up to 31<sup>st</sup> January 2015 and the continued appropriateness of the Treasury Management Strategy and Treasury Prudential Indicators, which were approved by Council on 26<sup>th</sup> February 2014 as required by the Local Government Act 2003.

The Committee heard that LBTH participates in a benchmarking club to enable officers to compare the Council's treasury management/investment returns against those of similar authorities.

- Tower Hamlets lies close to the expected return given the Council's portfolio risk profile, which is placing deposits with institutions with the sovereign rate of AAA.
- Investment returns since inception of the cash management arrangement with Capita has been above the portfolio benchmark.
- Interest rates set to remain low

#### **RESOLVED**

That the contents of the treasury management activity report for period ending 31<sup>st</sup> January 2015 be noted.

**4. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT**

Nil items.

The meeting ended at Time Not Specified

Chair, Councillor Amina Ali  
Audit Committee