

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.32 P.M. ON WEDNESDAY, 1 DECEMBER 2021

**COMMITTEE ROOM ONE - TOWN HALL, MULBERRY PLACE, 5 CLOVE
CRESCENT, LONDON, E14 2BG**

Members Present:

Councillor Val Whitehead (Chair)
Councillor David Edgar
Councillor Kyrsten Perry
Councillor Rabina Khan
Councillor James King*
Councillor Ayas Miah*
Councillor Eve McQuillan*
Councillor Leema Qureshi*
Charlotte Webster (Independent Person)

Other Councillors Present:

Councillor Andrew Wood* - observing

Others Present:

Mayor John Biggs – (Executive Mayor)

Officers Present:

Kevin Bartle* – (Interim Corporate Director,
Resources and Section 151 Officer)
Raj Chand* – (Director, Customer Services)
Vicky Clark* – (Director of Integrated Growth and
Development)
Janet Fasan* – (Director of Legal & Monitoring
Officer)
Dan Jones* – (Director, Public Realm)
Jennifer Peters* – (Divisional Director, Planning and
Building Control, Place)
Denise Radley* – (Corporate Director, Health, Adults &
Community)
Paul Rock – (Head of Internal Audit, Anti-Fraud
and Risk)
Stephen Shapiro* – (Head of Asset Management)
Karen Swift* – (Divisional Director, Housing and
Regeneration)
Nisar Visram* – (Director of Finance, Procurement &
Audit)
Farhana Zia – (Democratic Services Officer,
Committees, Governance)

*Attended virtually – online

1. DECLARATIONS OF INTEREST

There were no pecuniary declarations of interest declared at the meeting by the members.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes from the meeting held on the 20th October 2021 were agreed to be an accurate record of the meeting and were approved by the Committee.

3. DELOITTE ITEMS FOR CONSIDERATION

There were no reports from Deloitte for consideration.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION**4.1 Annual Governance Statement 2020-2021**

The Mayor, Mr John Biggs introduced the report and stated steady improvement had been made since 2015, in respect to the governance processes within the council. The Mayor said progress had been made in children services with better outcomes for children and families, however 2020-21 had been a challenging year for the Council, especially with the challenge of Covid-19. The Mayor said the Council had responded to this crisis extremely well and continued to make improvements in areas such as financial accounts and budget processes. The Mayor said there was still work to do regarding Special Education Needs however the Council was on the right track to improve.

Mr Paul Rock, Head of Internal Audit, Fraud and Risk added this was a draft copy of the Annual Governance Statement (AGS) and Committee members were being asked for their comments. Mr Rock said the final version of the AGS would be presented to the Committee along with the financial statement of accounts at the January 2022 meeting.

In response to comments and questions from Member the following was noted:

- Councillor Edgar concurred this had been a challenging year for the Council. He asked the Mayor what opportunities Covid-19 had presented? The Mayor responded stating the biggest transformation was the step towards remote working, which had been liberating. He said this had improved the work/life balance for staff but equally the Council had to be mindful of isolation and mental health of staff. He said it had also increased cross-departmental working with the use of electronic meetings.
- Mr Rock added that from the feedback he had received directors and managers felt more empowered during the pandemic to make quicker

and faster decisions. He said this should be retained whilst looking to improve governance and streamline processes.

- In respect to the 'limited' assurance given, Mr Rock said he would base his opinion on several considerations, such as the outcomes of internal audit and anti-fraud activity undertaken during the year plus the significant issues with the statement of accounts as well as external assurance reports.
- Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 Officer said the direction of travel for the Council's accounting systems and processes, had been significantly overhauled and improved and said this ought to be recognised.
- Councillor Khan quoted from a letter dated 21st July 2021 from the Local Government Social Care Ombudsman and asked why the issue raised therein had not been included in the AGS. Discussion regarding the letter took place and it was agreed this could be included in the final AGS.
 - **ACTION:** The points raised in the letter to be incorporated and addressed in the AGS, after consultation with the Mayor and Chief Executive and appropriate Director.

The Audit Committee **RESOLVED** to:

1. Review and agree the 2020/21 Annual Governance Statement.

4.2 Corporate Risk Register Quarterly Progress Report Q3

Mr Paul Rock, Head of Internal Audit, Fraud and Risk presented the Corporate Risk Register and said this was a regular report to the Committee. He said the report provided an update against the Risk plan and how the Council was performing against key targets. Mr Rock said Directors from the Place Directorate were also present for any questions relating to the Directorate's risk register.

Mr Rock also thanked members of the Committee and the Overview & Scrutiny Committee members for attending the risk session that was held on the 24th November and said the matters raised were being prioritised and would be presented to the Corporate Leadership Team.

In response to questions and comments from members, in relation to the Corporate Risk register the following was noted:

- Ms Charlotte Webster, Independent person stated the Corporate Risk Register, and the Directorate Risk Register were rather long and not easily accessible. She asked if it were possible to pull out and highlight the top risks for each register, with commentary on what progress had been made to lower the risk.
 - **ACTION:** Future reports to the Audit Committee to highlight the top risks for each register and provide a commentary on the action taken to lower the risk.

- In reference to page 52, RS0056, Councillor Khan asked how the additional money from the government, during Covid-19, had been used and accounted for? Mr Kevin Bartle, Interim Corporate Director for Resources and Section 151 said that as far as the risk register is concerned, it was not felt necessary to account separately for Covid grants in relation to whether the Council might overspend overall, although details of Covid related spending is analysed in detail in the regular budget monitoring reports to Cabinet.
- In reference to page 53, BCLR013, Councillor Khan asked about the EU-UK trade and cooperation agreement, and why there was no comment provided under the 'existing control measures' column? Mr Rock, Head of Internal Audit, Fraud and Risk responded stating that this was on the corporate risk register as a means of acknowledging that there could be potential or unknown risks to the council over the coming 12 to 24 months during the exit out of the EU. Mr Rock said he would speak to the owner of the risk to see if more specific information and mitigations as required to be added to the risk.
- In reference to page 54, ASD0015 and vulnerable adults, Councillor Khan asked if complaints were used to monitor the progress against the risk. She said the letter she had referenced earlier ought to be included under this risk. Ms Denise Radley, Corporate Director for Health, Adults and Community stated the letter referred to did not relate to Adult Social Care. She explained how issues raised were identified and resolved at the informal stage and how the Directorate Leadership Team reviewed and analysed complaints every two weeks. Ms Radley said they identified emerging themes and triangulated issues before they developed into formal complaints.
- In reference to page 57, PLC0013, Grenfell and cladding, Councillor Khan said the work the Council had done to address this was commendable, however the information in the risk register ought to be in the public domain and accessible to leaseholders. Ms Karen Swift, Director for Housing, said the information relating to what the Council had done to address fire safety and the Building Safety Bill was on the Council's Website and there was a whole series of webpages devoted to the topic, which are constantly reviewed and refreshed.

In response to questions and comments from members, in relation to the Place Directorate Risk register the following was noted:

- In reference to page 73, DTLC0003 Councillor Khan asked if more information could be provided in relation to land searches. Ms Jennifer Peters, Director for Planning and Building Control said there was a significant amount of work to do to ensure the data collected on land searches could be automated and verified. She said this was to avoid human errors. She said this work was progressing and therefore this had been identified as a risk.
- In reference to page 72, DRD0062 Councillor Perry asked what had been done to progress the capital works programme. Ms Vicky Clark, Director of Integrated Growth and Development responded stating the

progress on the capital works programme was dependent on funding. She said her team worked closely with the Resources Directorate to ensure schemes identified could be delivered however this was an iterative process involving consultation with members and senior managers as well as prioritising one scheme over another.

- In reference to page 72, DRD0062, Councillor Edgar asked about the deadline quoted in the 'required control measures' column and why this was out of date. Ms Vicky Clark acknowledged the register needed to be updated and said the Asset Management and Infrastructure Working Group was working closely with clients and project managers to identify and deliver projects, within the resources they had. She said the capital works programme was reviewed frequently.
- In reference to page 79, PLC0013, Councillor Edgar said there was significant detail provided on Grenfell under 'existing control measures' and nothing under the 'required control measure.' He asked why this column had been left blank. In response Ms Swift stated the Council was working closely with the government and the GLA and a considerable amount of work had been undertaken, with a good working relationship building cross organisations. Ms Swift said this ought to be highlighted in the register and that this would be updated. Ms Swift also said that once government funding came to end, the Council would need to look at how it can resource further work, as part of the budget setting process. The Mayor, Mr John Biggs added regular reports came to Cabinet and the Corporate Leadership Team on the progress being made especially as Tower Hamlets had a high concentration of tall buildings.
- In reference to page 82, PMP0006 Town Hall Delivery, the risk register quoted September 2021, as the date for review. Councillor Edgar asked if further information could be provided in relation to this. The Mayor responded stating the external works of the Town Hall would be complete by May 2022, but internal fittings would take some time to progress thereafter.
- In reference to PLC0021, 'Chater House', the Chair asked what progress had been made in relation to the building valuation. She asked why the register had not been updated to show the progress made. Ms Vicky Clark responded stating at one of the issues related to the housing management provider and the other related to fire safety. She said action had been taken to mitigate against the fire hazard and remedial work was being undertaken to ensure the building was fire compliant.
- The Chair, Councillor Whitehead commented that there was quite a striking gap between the risk scores and appetite in relation to the Place Directorate's risk register.
- Councillor Edgar then made several observations regarding the Place Directorate's risk register, referring to PLC0021, PMP0006 and HPHS0002 as examples and said the register required updating, with more accurate information on how the risks had been mitigated against.

- **ACTION:** Owners of risks in the Place Directorate to update the risk register to ensure it is current and up to date, stating the remedial action taken against each identified risk.

The Chair thanked the attendees for their participation in the meeting.

The Audit Committee **RESOLVED** to:

1. Note the corporate risks, and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risk including impact on the corporate objectives at the next Committee meeting (or separately before the meeting if urgent).
2. Note the Place Directorate risks and where applicable request risk owner(s) with risks requiring further scrutiny to provide a detailed update on the treatment and mitigation of their risk including impact on the directorate's objectives at the next Committee meeting (or separately before the meeting if urgent).

4.3 Internal Audit and Anti-Fraud Progress Report

Mr Paul Rock, Head of Internal Audit, Fraud and Risk stated the report provided members with an update on the progress made against the delivery of the 2021/22 Annual Audit Plan and highlighted any significant issues since the last report to the Audit Committee in October 2021. An update on anti-fraud activity was also included in the report.

Mr Rock said progress had been slower this quarter largely due to the resources available. He said he hoped to have a new member of staff start in the New Year but in the meantime would be using BDO – their external auditor partner to undertake some of the audits as per the audit plan. Mr Rock said he was 'on course' to deliver 30 audits this year, as he had done for the past two years and that this would provide enough evidence from him to base his annual opinion on.

In respect to management responses to reports these had been slow and as such Mr Rock had raised this with the Corporate Leadership Team. He said the fully implemented, higher priority actions were at 35% and whilst the overall percentage is 80-85%, if the partially implemented high priority areas are also included, this figure needed to improve.

He said the Fraud outcomes continued to be on a positive trajectory, with a further conviction secured for housing fraud. Mr Rock also referred members to paragraph 3.27 and said changes had been implemented in respect to how information is managed from informants. In respect to the second action relating to how information is shared, Mr Rock said he would report back in March 2022 once he has discussed and formed a view on this.

In response to questions and comments from members the following was noted:

- The Chair Councillor Whitehead said it was disappointing the actions agreed with management were at 35%. She said as these were agreed actions, she would expect management to actively look to implement them as soon as possible.
- In relation to the NFI, and data matches the Chair asked if this related to the resources issue, within the team? Mr Rock said his team co-ordinated the NFI matches on behalf of the Council. However, it was for individual officers/managers to best manage the risk, within the resources they have. Mr Rock said there was no doubt there was a resourcing challenge when it came to reviewing over 11,000 matches.
- Referring to the Audit Plan 2021/22, page 105 and the audit relating to 'Climate Change', the Chair requested this audit be pushed back to the 'green' list as it was an important topic to audit and scrutinise. Councillors Perry and Khan agreed with this. Councillor Khan added that an equalities impact assessment on how Climate Change affects BAME communities should also be included.
- Mr Rock agreed to adding the 'Climate Change' audit back on the plan and said the information provided in the workplan was a high-level outline for the audit. He said the audit would be scoped and rationalised, taking into account any Equalities Impact Assessments that have been undertaken in relation to any policies or procedures adopted by the Council.
- **ACTION:** The Climate Change Audit be added back to the list of audits to be undertaken this year 2021/22.
- Mr Rock confirmed the audits relating to the Adult Safeguarding Board, page 109 and Empty Properties page 108, were going ahead and said these would be reported to the Committee once they had been finalised.
- In reference to the NNDR report – non-domestic rates, Ms Webster asked what the cause of the delay had been in getting a management response? Mr Rock said this was due to the untimely death of an officer and as such there had been delays. He said they were working with the team to get the information required.
- In respect to how CLT would track late responses to actions, Mr Rock said the Chief Executive had made it very clear to managers his expectation on delivering on agreed actions. Mr Rock said the data on agreed actions was presented to CLT as well as the audit reports which had missed implementation dates. He said this was reported to CLT before it was presented to the Committee.
- **ACTION:** Ms Webster asked if a list of outstanding audits with agreed actions could be provided to the Committee, showing their age and the Directorates they belong to. She said this would help members understand where the issues are.
- Ms Webster asked which audit would drop off the plan, if the 'Climate Change' audit was taken on? Mr Rock said this was a good challenge. He said he would have to justify whatever is taken off the plan. He said he will need to reflect on this and possibly consider giving this to BDO to undertake.

The Chair thanked Mr Rock for his report before inviting the Officers present for the Asset Management 'limited' assurance report to address the Committee.

Asset Management

Ms Vicky Clark, Director of Integrated Growth and Development and Mr Stephen Shapiro, Interim Head of Asset Management said the 'limited' assurance report had assisted in uncovering the issues identified. Ms Clark said they helped to pinpoint the areas that needed focus. For example, having an up-to-date asset management strategy. Ms Clark said work on this would begin early next year. She said the asset management team was also working with the legal team to expediate transactions as this was a much-needed source of income to the council. She said they were working through the recommendations made by the Internal Audit team.

Mr Shapiro added that the audit had assisted in strengthening the team. He said they had been working on the number of outstanding rent and lease renewals and bringing these up to date.

In response to questions and comments made by members the following was noted:

- Councillor Edgar said he had commented on asset management for a long time and better communication between asset managers, lawyers and tenants was needed. He said he often received complaints from small businesses about rent review delays. He said delays had financial consequences, especially if the current tenant had wanted to assign the tenancy to a new business.
- Councillor Edgar said information about the outstanding amount should be provided to clients in a way they can understand rather than pages of the account ledger. Ms Clark said they were reviewing the approach to rent reviews and said they have agreed as far as possible that when doing reviews, they would document at 'passing' the rent and hold the rent at the date of the review rather than back date it, phase and manage the rent increases.

The Audit Committee **RESOLVED** to:

1. Note the contents of this report and the overall progress and assurance provided, as well as the findings/assurance of individual reports.
2. Approve the updated annual internal audit plan for 2021/2022.

4.4 Internal Audit Charter and Anti-Bribery Policy

Mr Paul Rock, Head of Internal Audit, Fraud and Risk stated the Public Sector Internal Audit Standards required the Internal Audit Charter and Anti-Bribery Policy to be reviewed annually. He said the charter and policy had been

updated to reflect the current roles and responsibilities and ensure it is fit for purpose.

Members of the Committee had no question from Mr Rock.

The Audit Committee **RESOLVED** to:

1. Review and approve the Internal Audit Charter; and
2. Review and approve the Anti-Bribery Policy.

4.5 Treasury Management Mid-Year Report for 2021-22

Mr Nisar Visram, Director of Finance, Procurement and Audit presented the Treasury Management mid-year report. He said the report summarised the council's investments and borrowing as at 30th September 2021. He said the economic outlook and interest rate forecast from the Council's treasury advisors Arling Close informed how the treasury management activities were performing. Mr Visram referred members to paragraph 3.4.8 and the table therein and said interest rate increases were anticipated.

In respect to investments, Mr Visram said £328M was invested and appendix 1 gave a breakdown of where the investments were held. He said investments were mainly in money market funds or with other public sector bodies. He said the council was on target to meet the budgeted investment returns. In respect to borrowing, £71.5M were from external loans, mainly with the Public Works Loan Board or banks. Mr Visram said, looking at the prudential indicators, they were within the limits set at the beginning of the year.

In response to questions and comments from members the following was noted:

- Councillor Edgar stated he found the report to be clear and comprehensive. He said he liked the format of the report.
- Councillor Perry said it this was one area the council should be proud of. She said the investments and collective pooling as a strengthen against the backdrop of the other financial struggles and pandemic the council was facing.

The Audit Committee **RESOLVED** to:

1. note the contents of the treasury management activities and performance against targets for the half year ending 30 September 2021; and
2. note the Council's investments as set out in Appendix 1. The balance outstanding as at 30 September 2021 was £328.20m.

4.6 Complaints Report

Ms Raj Chand, Director of Customer Services presented the complaints report and said this report had been requested by the Committee. She said the report set out how complaints are responded to from the Local Government

and Social Care Ombudsman (LGSCO) and the lessons learnt. Ms Chand said the annual review letter referred to earlier by members was appended to the report and said the number of complaints had reduced from 47 in 2018/19 to 39 complaints in 2020/21. She said the performance percentage had increased from 34% to 69% but further work was required to improve the response rate. Ms Chand referred members to the historical issues set out at paragraph 2.4 of the report and the service improvements set out at paragraph 2.9. She said steps were being taken to improve the handling of LGSCO complaints, with better use of technology, guidance and a outcomes-based protocol.

Referring to the LGSCO letter, appended at Appendix 1, the statistical data showed 83% of complaints were upheld, with 95% of recommendations being implemented, with 4% of complaints being judged as being satisfactorily remedied by the Council. Ms Chand said with the service improvements cited she hoped further progress could be made.

Ms Chand also said the Information Governance structure was also being reviewed to see how complaints handling, members enquiries and information requests are processed and responded to.

In response to questions and comments from members the following was noted:

- The Chair said it was good the report recognised the missed timescales, for the areas covered by the Information Governance team. The Chair gave an example of a missed deadline for a housing association query that she had raised and said it was important for the Council to ensure the data and records it held aligned with Registered Providers. Ms Chand responded stating work was ongoing in relation to this and she had met with the Tower Hamlets Housing Forum, together with members of the General Purposes Committee to ensure the data held was accurate and that there is continued dialogue between them.
- Councillor Edgar commented that the letter from the LGSCO was blunt and said they had made helpful suggestions on how to improve the complaint process. He said he was encouraged by the trends and said it gave some measure to drive change in the handling of complaints. Councillor Edgar said it was important to ensure communication with complainants was clear and timely. Ms Chand responded stating she agreed with the observations made by Councillor Edgar and said a key part of the review would be to complete the circle, in terms of how the Customer had found the complaint handling process. Ms Chand offered to provide an annual and/or quarterly report on complaints if this was what the Committee wanted.
- Councillor Khan asked why the letter from the LGSCO published in July 2021, was coming to the Committee in December 2021. Referring to the letter she said the 25 upheld decisions related to Adult Social Care, Housing and Recycling. Councillor Khan said these were distressing to read and said it was critical to understand how the Directorates had learnt lessons and had improved services. In

response the Chair said this was the first time the Committee had asked for a report on complaints and said she'd welcome future reports to the Committee. She said the suggestion to which directorates and services the complaints related to could be incorporated in future reports.

- **ACTION:** The Audit Committee to receive on an annual basis a report outlining the number of complaints referred to the LGSCO and the number upheld. The report is to include the annual review letter from the LGSCO and provide a breakdown on the areas and Directorates the complaints relate to and the remedial action taken by the service.

The Audit Committee **RESOLVED** to:

1. Complaints referred to the Local Government and Social Care Ombudsman (LGSCO)
2. The LGSCO Annual Review Letter
3. Lessons learnt/ service improvements made to the complaints process

5. AUDIT COMMITTEE WORK PLAN

The Audit Committee noted the work plan for the forthcoming meetings of the Committee.

6. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

There was no urgent business to be discussed.

The meeting ended at 8.53 p.m.

Chair, Councillor Val Whitehead
Audit Committee