

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.35 P.M. ON THURSDAY, 20 JULY 2023

COMMITTEE ROOM - TOWER HAMLETS TOWN HALL, 160 WHITECHAPEL ROAD, LONDON E1 1BJ

Members Present in Person:

Councillor Harun Miah
Councillor Ahmodur Khan
Councillor Kabir Ahmed (Cabinet Member for Regeneration, Inclusive Development and Housebuilding)
Councillor Saied Ahmed (Cabinet Member for Resources and the Cost of Living)
Councillor Abdul Wahid (Cabinet Member for Jobs, Skills and Growth)
Councillor Maisha Begum
Councillor Asma Islam

Members In Attendance Virtually:

Councillor Mufeedah Bustin
Charlotte Webster Independent Person

Apologies:

Councillor Rachel Blake

Others In Attendance Virtually:

Angus Fish Deloitte
Jonathan Gooding Deloitte
Michael Ingram Deloitte

Officers Present in Person:

Jill Bayley (Head of Legal Safeguarding)
Farhana Zia (Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

Stephen Bramah (Corporate Head of Strategy and Improvement)
David Dobbs (Head of Internal Audit)
John Harrison Interim Director of Finance, Procurement and Audit
Caroline Holland (Interim Corporate Director, Resources)

1. DECLARATIONS OF INTEREST

There were no declarations of pecuniary interests declared by members of the committee.

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

That the unrestricted minutes of the Audit Committee held on the 30th May 2023 be approved and signed by the Chair as a correct record of the proceedings.

3. DELOITTE ITEMS FOR CONSIDERATION

There were no Deloitte reports for consideration.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION**4.1 Update on Financial Accounts and Audits of 2018/19, 2019/20 and 2020/21**

Ms Caroline Holland, Interim Corporate Director for Resources said the report provided an update on the Statement of Accounts for years 2018/19, 2019/20 and 2020/21. She said the issues raised had not been solved in their entirety and as such the audits from the outstanding years could not be presented to the Committee at this meeting. However, she hoped they could be presented by the November meeting of the Committee.

Ms Holland stated Deloitte Auditors were present for the meeting, to help answer questions from members.

Mr Gooding, external auditor said the audits had been largely completed save for queries relating to pensions liability. Mr Ingram, from Deloitte had reviewed the data used by the council's actuary for the triennial valuations of 2016 and 2019 and said there was a mismatch of data. As such they were trying to understand why this was.

In response to comments and questions the following was noted:

- Deloitte were investigating the issues and were attempting to reconcile the figures from the two valuations of 2016 and 2019. They wanted to understand why there was inconsistent data.
- Councillor Bustin asked if the figures affected materiality. Mr Gooding responded stating the figure was about £20M for one of the years.
- In response to if data from pension actuaries would normally form part of the external auditors' assessments, Mr Gooding said they would expect a control to be in place.
- Ms Holland said that the interpretation of data sets could likely have an impact on future accounts with a qualification on those accounts too.

The Audit Committee **RESOLVED** to:

1. Note the contents of the report.

4.2 Internal Audit Annual Report: 2022-23 including Head of Internal Audit's Annual Opinion

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk stated the report provided the Annual Audit Opinion of the Head of Internal Audit and had been produced in accordance with the Public Sector Internal Audit Standards. Mr Dobbs said the opinion supported the governance conclusions included in the Annual Governance Statement, which formed the Statement of Accounts required under the Accounts and Audits Regulations 2015.

Mr Dobbs drew attention to paragraph 2.2 of his report, page 27 of the agenda and said that he could provide a 'Reasonable Assurance' that the Council has adequate systems of governance, risk management and internal control. He said this was a positive outcome and an improvement from the opinions previously given. He said section 3 of the report detailed the audit results.

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

- Mr Dobbs stated the annual report provided general comments about risks and future risks that the Council would be exposed to. Ms Holland, Corporate Director for Resources added that whilst the insourcing of Tower Hamlets Homes and Leisure facilities were an identified risk, there were controls in place to ensure the switch would be as seamless as possible.
- In reference to appendix B and the audits undertaken, Mr Dobbs was asked to elaborate on the audits of schools. He said of the schools audited 4 had achieved limited assurance. He said there had been a lull in the number of audits undertaken due to the pandemic, however they were now picking up the pace and were auditing schools more regularly.
 - **ACTION:** In respect to paragraph 3.8 page 29, Mr Dobbs said he would re-look at the numbers quoted for savings.
- Mr Dobbs said the annual opinion was primarily based on the results of audit activity undertaken during 2022/23 as set out in the audit plan that had been agreed with the Audit Committee.
- He said he was happy with the breadth and depth of audit which formulated his annual opinion.
- Mr Dobbs said resources for the team were a challenge, however they were currently recruiting 2 internal audit officers and were also carrying a vacancy in the Insurance team too.

The Audit Committee **RESOLVED** to:

1. Note the content and opinion of the Head of Internal Audit as outlined in the Head of Internal Audit Annual Report which included a summary of the work undertaken during 2022-23.

4.3 Schools Annual Audit Report 2022-23

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk said their third-party partner undertook audit of schools and attached was the thematic summary of the internal audits for schools for the financial year 2022-23. He said the aim was to audit a school once every five years. He referred members to the summary of recommendations for 2022/23 and the assurance opinions.

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

- Members had no questions for Mr Dobbs.

The Audit Committee **RESOLVED** to:

1. Note the contents of the report including the themes highlighted by Internal Audit in relation to the audit of schools as undertaken during 2022-23.

4.4 Risk Management Annual Report: 2022-23

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk stated the report summarised the risk management activity during the course of 2022-23 and provided an updated action plan designed to improve the Risk Management framework across the Council.

Mr Dobbs referred to page 62 of the agenda and paragraphs 4.2 and 4.3. He said an action plan had been devised, as per paragraph 6.1, which objectives to improve Risk management identification and management.

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

- In reference to the table at paragraph 5.5, Mr Dobbs said there was no specific answer as to why the Children and Culture Directorate had a higher average risk rating than other Directorates. He said risk managers were aware of risk in their areas of responsibility with risk ratings either go up or down.
- **ACTION:** The Committee requested that in future reports, a short synopsis giving context to the figures be provided, in order for members to better grasp why a particular trend is emerging.
- In relation to the chart at 5.6 and the number of control reviews overdue, Mr Dobbs said that this may be due to JCAD not being

updated by risk owners. He said it was important for risk owners to ensure it was updated.

- In response to if an alert or RAG model could be used to alert risk owners of overdue controls, Mr Dobbs said the JCAD system already sent alerts however the action plan and the reviewing of the Directorate risk register by the Committee were ways to ensure risks are reviewed in a timely manner.

The Audit Committee **RESOLVED** to:

1. Note the annual Risk Management report and agree the proposed action plan.

4.5 Insurance Annual Report

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk introduced the Insurance annual report and stated this was presented to the Committee to give an update on the internal insurance service and performance.

Mr Dobbs provided an explanation in relation to how insurance claims are risk assessed and referred members to the table at paragraph 3.32 and the table at paragraph 3.38 which showed the number of claims dealt with over the last five years.

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

- **ACTION:** Mr Dobbs said he would clarify via email if the data in the table at paragraph 3.38 related to claims made or claims that had been processed and agreed.
- Regarding, if any of the claims related to housing - damp/mould and repairs, Mr Dobbs said the service hadn't yet seen an increase in such claims.
- Mr Dobbs said the figures in the table related to the financial years April to March.

The Audit Committee **RESOLVED** to:

1. Note the contents of the report.

4.6 Code of Corporate Governance

Mr Stephen Bramah, Corporate Head of Strategy and Improvement introduced the report and stated the code of Corporate Governance was first presented to the Committee in 2018 and is reviewed annually. H said the code was a checklist which verified the governance controls in place.

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

- Members had no questions for Mr Bramah.

The Audit Committee **RESOLVED** to:

1. Note the revised Code of Corporate Governance; and
2. Endorse the Code and agree that it be published on the Council's website.

5. **AUDIT COMMITTEE WORK PLAN**

The Committee agreed the work plan for the Committee however raised the following concerns:

- In relation to the training sessions, Councillor Ahmed enquired why these were scheduled a week in advance of the main meeting. Ms Zia explained that the Audit Committee had a rolling programme of training, with training provided to members in bitesize format.
 - **ACTION:** Members requested that the training scheduled be re-examined with a suggestion of having two session per year.

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

There were no other items of business discussed by the Committee.

The meeting ended at 8.20 p.m.

Chair, Councillor Harun Miah
Audit Committee