

**LONDON BOROUGH OF TOWER HAMLETS****MINUTES OF THE AUDIT COMMITTEE****HELD AT 6.33 P.M. ON THURSDAY, 23 NOVEMBER 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 Rachel Blake	
Councillor Mufeedah Bustin	
Councillor Asma Islam	
Charlotte Webster	Independent Person

**Officers Present in Person:**

Miriam Adams	Interim Head of Pensions and Treasury
David Dobbs	(Head of Internal Audit, Anti-Fraud and Risk)
Janet Fasan	(Director of Legal & Monitoring Officer)
Tim Harlock	Interim Chief Accountant
Ahsan Khan	(Chief Accountant)
Julie Lorraine	(Corporate Director Resources)
Jonathan Melnick	(Principal Lawyer-Enforcement)
Jill Bayley	(Head of Legal Safeguarding)
Farhana Zia	(Democratic Services Officer, Committees, Governance)

**Officers In Attendance Virtually:**

Susannah Beasley-Murray	(Divisional Director of Supporting Families)
Pat Chen	(Head of HR)
Lisa Fraser	(Director of Education)
John Harrison	Interim Director of Finance, Procurement and Audit
Ellie Kershaw	(Acting Director, Growth and Economic Development)
Denise Radley	(Corporate Director, Health and Social Care)
Richard Ward	(Interim Head of Contracts and Procurement)

**Apologies for absence**

There were no apologies for absence.

## 1. DECLARATIONS OF INTEREST

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

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

The Audit Committee **RESOLVED**:

1. That the unrestricted minutes of the Audit Committee held on the 20<sup>th</sup> July 2023 and the extraordinary meeting held on the 19<sup>th</sup> October 2023 be approved and signed by the Chair as a correct record of the proceedings.

### 2.1 Consideration of 2018/19 and 2019/20 Management Representations

Ms Julie Lorraine, Corporate Director for Resources and Section 151 Officer, introduced the report before handing over to Mr Tim Harlock, Interim Head of Strategic Finance - Chief Accountant, who explained the report in detail. He said the Council was required to send a letter of management representations, for each year of the accounts, to the external auditors Deloitte. He said the purpose of the letter was to acknowledge, formally, that the Council had informed them of everything that it should have done and had fulfilled its professional responsibilities.

Mr Harlock referred members to the matters considered, appended at A and B, and said the additions made were highlighted in bold. Members of the Committee were asked to approve these management representations.

Ms Lorraine added that a detailed action plan setting out the progress in addressing control weaknesses would be brought back to the next committee meeting.

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

- Members of the Committee had no questions for Mr Harlock.

The Audit Committee **RESOLVED** to:

1. Review the process by which assurance has been sought regarding the representations to be made and make enquiry of officers as appropriate.
2. Approve the letters of management representations (which may yet be subject to minor alterations).

### 2.2 Statement of Accounts for 2018/19 and 2019/20

Mr Tim Harlock, Interim Head of Strategic Finance - Chief Accountant said that the statement of accounts for 2018/19 and 2019/20 were being presented as a fair and true view of the financial position of the Council, except for those matters decided in the Statement of Responsibilities certification presented within those accounts. He said relatively few changes had been made to the accounts since the last time they were presented. The accounts would be receiving several qualifications as they were not a perfect set of accounts. He said they had worked through the errors but had to draw a line at what was reasonable; the accounts presented were good enough.

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

- Councillor Bustin acknowledged the hard work of the finance team and said it was good the accounts for these years had reached this final stage. She said that the longer the accounts remained open, more issues such as RAAC, meant back years of accounts needed to be re-examined. She welcomed the closure of the accounts.
- In response to what controls were in place to ensure organisational memory, Ms Lorraine said they had improved controls, but what was yet to be tested was whether controls had been improved to the required standard. She said for the past years of 2018/19 and 2019/20, the accounts presented were good enough. However, learning from the qualifications and the Finance Improvement Plan which her predecessors had introduced, had resulted in processes being tightened, with written procedures and training. She said they were looking at resources within the finance team and hoped to recruit permanent professionals rather than have interim appointments.
- Ms Webster, Independent Person welcomed the shift away from interim appointments. She asked if there was a roadmap to achieving this? Ms Lorraine said she would report back to every Audit Committee meeting the progress made.

The Audit Committee **RESOLVED** to:

1. To approve these Statements of Accounts.
2. To approve the refreshed Annual Governance Statements for 2018/19 and 2019/20, which have been inserted within the respective Statements of Accounts; these statements have been updated to ensure they are still appropriate to reflect the circumstances as at the date that the Statements of Accounts are approved.

### **3. DELOITTE ITEMS FOR CONSIDERATION**

#### **3.1 Deloitte 2018/19 and 2019/20 update**

Mr Jonathan Gooding, external auditor from Deloitte presented their second update to the final report to the Audit Committee in relation to audit years ending 31<sup>st</sup> March 2019 and 31<sup>st</sup> March 2020. Mr Gooding referred to the report appended to Supplemental Agenda 2, pages 3-32 and said the pension

liability issue was a concern. They did not concur with the Council appointed Actuary's calculations used regarding membership data and as such, this and other minor errors have led them to conclude to qualify the accounts. Mr Gooding drew attention to property valuations and said the method used to value property had changed significantly however the net impact was immaterial.

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

- Ms Lorraine assured members that lessons learnt from the earlier audits of accounts were being applied to more recent accounts as a process of continuous improvement. She said a specialist analyst with experience of LGPS had been employed to understand the nature of the errors and understand the processes to put this right. She said that they were also looking to recruit permanent staff and support the Pensions function.
- In respect of what other control measures were required, Ms Lorraine said officers were responsible for ensuring control measures were in place. What was required now was a clear plan of satisfactory and comprehensive implementation of controls, and documentation to support this, as well as scrutiny from external auditors.
- Ms Adams, Interim Head of Pensions and Treasury informed members that when she took charge of the pensions function, it was in bad shape. However, she had worked with both the Pensions Board and Committee as well as the Pensions Regulator to rectify this. Ms Adams said the situation had improved from zero reconciliations being undertaken, to 17 reconciliations undertaken at present. She said the Pensions function had a specific risk register that it reported to the Board and Committee on a quarterly basis. She said her team would work to expedite the findings of the external auditor however it should be borne in mind that these were historic records.
- Ms Lorraine said she was confident that the 2020/21 accounts had vastly improved however there is always a risk the external auditors may not agree. She said she was of the view that the Council ought to produce and publish their Annual Governance Statements for prior years and this had now been done. She said the draft accounts would be made available to the public.

The Audit Committee **RESOLVED** to:

1. Note the contents of the report from Deloitte's.

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

##### **4.1 Timetable for the accounts for 2020/21-2022/23**

Mr Tim Harlock, Interim Head of Strategic Finance - Chief Accountant introduced the report stating the Council had experienced great difficulty in recent years in completing the proper processes with regards to its financial

accounts resulting in a backlog of historical accounts that needed to be completed. Mr Harlock said the Council was of the view that this timetable presented should allow the Council to get up-to-date and produce a current statement of accounts, which would be in the wider public interest. He said the 2018/19 and 2019/20 accounts had been approved and the attached timetable set out how the accounts for 2020/21 to 2022/23 would be progressed.

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

- Councillor Bustin welcomed the transparency in relation to the accounts and asked what assurance could be given that the more recent set of accounts would not be qualified due to the pension's liability identified by the external auditors. In response Ms Lorraine stated that whilst there was no guarantee that the accounts would be unqualified, the finance team was learning lessons from past accounts and actively applying the learning; as stated before, what was required now was a comprehensive plan of how to address all control shortcomings (and that would be coming to Audit Committee on a regular basis from now on). Ms Adams added that work was underway with the Council's Actuary in how the triennial valuation is undertaken.

The Audit Committee **RESOLVED** to:

1. Note the Council's anticipated action plan.

#### **4.2 Control Observations for 2019-20 and progress in addressing these**

Mr Tim Harlock Interim Head of Strategic Finance - Chief Accountant said officers had considered the control observations made by Deloitte in their report on the 2019/20 accounts, which had been presented to the Committee at its meeting of 26<sup>th</sup> January 2023.

He referred members to paragraph 3.5 onwards which set out the Council's response to the recommendations made by Deloitte's. Ms Lorraine added that the Committee would be presented with an update on the control observations, with a full schedule outlining the progress made.

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

- Ms Charlotte Webster, Independent Person asked if the Committee could be presented with the methodology to be used to implement the recommendations and how these would be reported back to the committee. Ms Lorraine said this was their intent and they'd be providing an update at the next meeting of the Audit Committee.
- Councillor Kabir Ahmed, added huge progress had been made with the accounts and that the Council's had taken steps to appoint permanent officers, including the appointment of the current Corporate Director for

Resources and section 151 Officer. He said this and the check and balances in place should result in better quality accounts in the future.

The Audit Committee **RESOLVED** to:

1. Note the Council's progress to date.

#### **4.3 Annual Whistleblowing Report and Policy Review**

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk stated the report was the Annual report on the Council's whistleblowing arrangements and a review of the whistleblowing policy. He said minor changes had been made to the policy in conjunction with the Monitoring Officer. Mr Dobbs referred members to paragraph 3.2 of the report which set out the recent data on whistleblowing. He said of the number of referrals fewer than 25% were genuine whistleblowing cases.

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

- Councillor Islam said information on whistleblowing needed to be more visible on the Council's intranet, so staff could report and make referrals. Mr Dobbs said they had publicised the Whistleblowing policy and procedure via the staff newsletter and would ensure it had a more prominent presence on the Council intranet. He said the policy would be updated periodically.

The Audit Committee **RESOLVED** to:

1. Consider and note the Annual Report.
2. Approve the updated Whistleblowing Policy referred to at Appendix 1.

#### **4.4 Annual Review of the Anti-Money Laundering Policy and Guidance**

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk stated the Council must review and report its compliance with the Anti-money Laundering Policy and Guidance (AML Policy) to ensure that its robust and vigilant with anti-money laundering culture. Mr Dobbs said paragraph 3.3 set out the changes made to the policy since it was last reviewed. He said there were not many cases of Anti-Money Laundering cases.

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

- Mr Dobbs stated he did not expect a huge number of cases and when benchmarked with other local authorities, AML cases were fewer than 1 a year, however it was important to shine a spotlight on this matter and be vigilant.

The Audit Committee **RESOLVED** to:

1. Note and approve the Council's updated Anti-Money Laundering policy.

#### **4.5 Internal Audit and Anti-Fraud - Progress Report**

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk stated the report updated members on the progress made against the delivery of the 2023-24 Annual Internal Audit Plan and an update on investigations activity, fraud prevention and anti-fraud work. Mr Dobbs said the report also highlighted any significant issues and concerns since the last update to the Audit Committee in July 2023. Members of the Committee heard from Officers, who had received 'limited assurance' reports.

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

- The Internal Audit team had two vacancies for auditors. One position had been recruited to, with an apprentice filling the role and the other was appointed to subject to pre-employment checks.
- In reference to pages 95-96, Councillor Kabir Ahmed stated the Directorates had changed. Mr Dobbs said the report was looking back to a time before the changes to the corporate structure had been made.
- Referring to the limited assurance report on the management of DBS checks, Ms Webster said it was alarming checks had not been undertaken, especially when it involved social workers working with youngsters and children. Ms Pat Chen, Head of Human Resources, Workforce, OD and Business Support stated that whilst this was regrettable, controls had been put in place that staff requiring a DBS check are annually reviewed. She said they were looking to purchase software to automate and manage the process better, with the onus being on the individual to renew their DBS check.
- In reference to the limited assurance report on 'Cost-of-Living Payments' Councillor Bustin asked what assurances could be given, that fraud did not occur, and the monies went to the people who needed it most. In response Ms Ellie Kershaw, Director for Integrated Growth and Development said they had learnt lessons from the exercise last year and had through the recommendations made by internal audit reviewed how they would be processing payments in future.

The Audit Committee **RESOLVED** to:

1. Note the contents of the report and the overall progress made and the assurance opinions for the audits carried out as part of the 2023-24 Audit Plan.

#### **4.6 Risk Management – Corporate and Directorate Risk Registers**

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk said the Corporate Risk register and the Children's Services Risk Register was attached to the report for review. He said this was a quarterly report to the Committee. Mr Dobbs referred members to paragraph 3.3 which listed the new risks added to the register and the risks which had been withdrawn. He said Pension Administration and Pre-DBS Check would be added to the register.

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

- Referring to risk PLC0023, Building Safety Act on page 132 of the agenda, Councillor Kabir Ahmed asked if the ALMO or the Council were responsible for this. Ms Lorraine, Corporate Director for Resources and Section 151 Officer, stated the risk and accountability sat with the Council. She said Corporate Directors needed to own the risk and work to mitigate the risk.
- Referring to risk CLSCCR00, Health and Safety on page 118 of the agenda, Councillor Bustin asked what steps had been taken to ensure health and safety procedures were being implemented in Tower Hamlets. Ms Lorraine stated health and safety was a concern for the Council and this risk had been added to the register following a conversation with the Chief Executive.
- Referring to the Children Services Risk Register and the Ofsted Inspection – Risk CSD0024, page 142, Ms Lisa Fraser Director of Education, said the inspection was imminent however they did not know the precise date. She said they were inspection ready in any event.

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 those risks including impact on the corporate objectives at the next Audit Committee meeting (or separately before the meeting, if urgent).
2. Note the Children's Services 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 risks including impact on the directorate's objectives at the next Audit Committee meeting (or separately before the meeting if urgent).

#### **4.7 Treasury Management Outturn Report for 2022-23**

Ms Miriam Adams, Interim Head of Pensions and Treasury presented the Treasury Management Outturn Report for 2022-23. She said the report covered the period of 1<sup>st</sup> April 2022 to 31<sup>st</sup> March 2023. She said Investment returns fluctuated with the Bank of England base rate. The base rate at 31<sup>st</sup> March 2023 was 4.25% which the current base rate was 5.25%.



Ms Adams referred members to paragraph 3.6 onwards which outlined the economic outlook and the treasury management strategy at paragraph 3.13. Ms Adams referred to tables 1B, 2,3,4 ,5 & 5b, which provided information on the external borrowing position as well as investments and performance position.

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

- Councillor Bustin asked Ms Adams to sum up the Treasury management position and asked what the council's position was in accessing cash. Ms Adams said overall the position was good and referred members to table 2 on page 38 of the supplemental agenda 2. She said liquidity was reviewed daily and whilst internal borrowing was low, eventually the Council would need to borrow in the future.

The Audit Committee **RESOLVED** to:

1. Note the contents of the treasury management activities and performance against targets for the year ending 31 March 2023.
2. Note the Council's investments as set out in Appendix 1. The balance as at 31 March 2023 was £237,950m.

#### **4.8 Review of CIPFA Guidance on the management of Audit Committees**

Ms Janet Fasan, Director of Legal and Monitoring Officer presented the report and said it invited Audit Committee members to review the composition and operation of the Audit Committee to reflect the updated Guidance published by the Chartered Institute of Public Finance and Accountancy (CIPFA) in 2022. Ms Fasan said the document provided guidance on several areas and wanted to know how the Audit Committee wanted to proceed. She referred members to paragraph 3.4 onwards which set out the key points as well as paragraph 3.23 on the appointment of an independent chair.

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

- Councillor Islam stated that she did not think Cabinet/executive members should make-up the membership of the Audit Committee. She said there should be a separation which would be good for governance and transparency. Councillor Bustin and Mr Jonathan Gooding, external auditor from Deloitte concurred with this view.
- Councillor Kabir Ahmed asked if there were timelines involved to decide on this matter and enquired if the Constitution working group were required to consider the matter. Ms Fasan stated that it would be advisable for the Audit Committee to consider its composition as it was a constituted committee of Council.

- **ACTION:** Members agreed that an options paper be presented to the Audit Committee at its next meeting, outlining the possible makeup of the Audit Committee.

The Audit Committee **RESOLVED** to:

1. Defer their decision in relation to the CIPFA guidelines and the composition of the Audit Committee and requested an options paper be presented to them at their next meeting for further discussion and consideration.

## 5. **AUDIT COMMITTEE WORK PLAN**

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk asked members to note the work plan for the Audit Committee and asked how they'd like future training to be delivered. Mr Dobbs reminded members that at the last meeting of the Audit Committee in July 2023, members had asked for the training scheduled to be reviewed with a possibility of two sessions per year, rather than a rolling programme of training before each audit committee meeting.

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

- Members concurred that training before each audit committee meeting was too onerous and a better balance was required.
- **ACTION:** Councillor Ahmed requested an options paper be presented with key areas of training outlined therein. Mr Dobbs said he would explore this, with the possibility of using external trainers to deliver some of the training. He said he would present the options paper at the next meeting of the Audit Committee.

The Audit Committee **RESOLVED** to:

1. Note the work plan and discussion on future delivery of training to committee members.

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

### 6.1 **RIPA Policy 2023**

Mr Jonathan Melnick, Principal Lawyer – Enforcement introduced the report and said the report detailed the proposed amendments to the Regulatory Investigatory Powers Act 2000 (RIPA) Policies for directed surveillance, the use of cover human intelligence sources which accompany the Council's Enforcement Policy. He said the policy also proposed that a RIPA social media policy be introduced.

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

- Mr Melnick said very few cases were dealt under the RIPA legislation. He said the local authorities' power to act had dwindled over the last decade. However, the Council was obliged to review and update the policy annually.

The Audit Committee **RESOLVED** to:

1. Note the proposed amendments to the RIPA policy and the introduction of the Social Media policies appended at 1 and 2.

## **6.2 Report of Investigations under the Regulation of Investigatory Powers Act (RIPA)**

Mr Jonathan Melnick, Principal Lawyer – Enforcement said under the RIPA policy, the Council was required to report on its use of CHIS – Cover Human Intelligence sources. He referred members to paragraph 3.12 of the report which outlined the use of the power since 2017. He stated the use of CHIS had been negligible, with partnership working and use of police powers instead to tackle issues since 2014/15.

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

- Members had no questions for Mr Melnick.

The Audit Committee **RESOLVED** to:

1. Note the information provided in the report.

The meeting ended at 8.57 p.m.

Chair, Councillor Harun Miah  
Audit Committee