

**LONDON BOROUGH OF TOWER HAMLETS****MINUTES OF THE AUDIT COMMITTEE****HELD AT 6.35 P.M. ON MONDAY, 22 JANUARY 2024****COMMITTEE ROOM - TOWER HAMLETS TOWN HALL, 160 WHITECHAPEL ROAD, LONDON E1 1BJ****Members Present in Person:**

Councillor Harun Miah	
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:**

Jill Bayley	(Head of Legal Safeguarding)
David Dobbs	(Head of Internal Audit, Anti-Fraud and Risk )
Rafiqul Hoque	(Head of Housing Options)
Abul Kalam	(Service Manager, Housing Management & Procurement)
Abdulrazak Kassim	(Director Finance, Procurement and Audit)
Ahsan Khan	(Chief Accountant)
Karen Swift	(Divisional Director, Housing and Regeneration)
Paul Audu	(Interim head of Pensions & Treasury)
Farhana Zia	(Democratic Services Officer, Committees, Governance)

**Officers In Attendance Virtually:**

John Harrison	Interim Director of Finance, Procurement and Audit
---------------	--

**APOLOGIES FOR ABSENCE**

Apologies for absence were received from Ms Janet Fasan, Monitoring Officer and Director of Legal and Ms Julie Lorraine, Corporate Director for Resources.

**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 23<sup>rd</sup> November 2023 be approved and signed by the Chair as a correct record of the proceedings.

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

There were no Deloitte items for consideration.

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

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

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk presented the update report on the progress made against the delivery of the 2023-24 Annual Internal Audit Plan. The report also provided an update on the investigation activity, fraud prevention and anti-fraud work. Mr Dobbs referred members to paragraph 3.1, and the appendix attached to the report and said 43% of audit opinions had resulted in Reasonable or Substantial assurance compared to 65% for year 2022-23. He said the delivery plan was ambitious and said planning for the 2024-25 plan was underway.

The Committee then heard from Ms Karen Swift, Director of Housing, and her team in relation to the limited assurance report on Homelessness assessments. Ms Swift welcomed the internal audit scrutiny of the service and said this would assist her and her team to make improvements to the assessments process. She said a major challenge were the IT systems used however she was working with the IT department to get these consolidated.

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

- Ms Charlotte Webster, Independent Person suggested that when looking at the processes followed by the Housing Team, they should also consider rationalising their processes to see if they required 20 different forms and if all the information, they were asking for was relevant. Ms Swift agreed this would be a good opportunity to do so and said they would do this.
- In respect to the Internal Audit Plan of 2023-24, Mr Dobbs said it was ambitious plan, which he had inherited when took over the role. He said not all the planned activity had been achieved which had partly been due to resourcing issues within the team. He said next plan would focus more on the risks and would seek the opinion of the Senior Leadership Team as well as members.
- In response to Team Leaders checking Homelessness assessment applications, Ms Swift said this check and balance would serve two purposes. (1) it would ensure any errors were picked up and corrected more quickly and (2) be a learning opportunity for staff to ensure they had followed the correct policies and procedures.

- Councillor Blake requested that the 'Management of Lettings' and 'Management of Markets- Follow up" referred to in Appendix A, page 29 of the agenda be carried forward to the next Internal Audit plan.

The Audit Committee **RESOLVED** to:

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

#### 4.2 Risk Management – Corporate and Directorate Risk Registers

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk, introduced the Risk Management report and said the Corporate Risk Register (Appendix A) as well as the Chief Executive's Directorate Risk Register (Appendix B) were attached to the report. He said the Risk Team supported management across the Council to manage their risks however it was important to recognise that the organisation, needed to own its risks.

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

- Referring to the new risk added to the Corporate Risk Register FPA0014, about reclaiming VAT, Members asked what the outcome of the meeting held on the 30<sup>th</sup> November 2023 had been and why the current risk score was 12. Mr John Harrison, Interim Director for Finance said they had met with HMRC and had improved their accounting processes. He said they were monitoring the progress made and said the risk score should reduce to 2.
- Referring to risk CSD0016, members asked what was being done to reduce the risk score from 25 to 16. Councillor Bustin said this risk had been discussed at the Audit Committee previously. Why was the score so high? In response, Mr John Harrison, Interim Director for Finance said one could not eliminate the risk totally as the risk of harm or death of a child could occur in any vulnerable situation even if the local authority is aware of the case.
- Ms Webster suggested that the risk be benchmarked against other similar local authorities to see if the scoring and actions were similar.
- **ACTION:** Mr Dobbs, agreed to benchmark this risk against other councils to see if the scoring was similar and what else could be done to reduce the risk.

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 Chief Executive's 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).

#### 4.3 Review of CIPFA Guidance on the management of Audit Committees

Ms Jill Bayley Head of Safeguarding, Legal Services and Deputy Monitoring Officer presented this report and stated that this had previously been to the Committee at its last meeting of 23<sup>rd</sup> November 2023. Ms Bayley explained members were being asked to decide the composition of the Committee and its membership going forward. She referred members to the bullet points listed at paragraph 3.23 and asked members to indicate their preference for the options.

The outcome of the discussion and voting was as follows. The Chair, Councillor Harun Miah did not take part in the voting.

- a) Exclude the Cabinet Member for Resources from the Committee Membership and limit the overall number of Cabinet Members on the Committee to no more than 1. **AGREED** unanimously by all committee members.
- b) Have no Cabinet members on the Committee. **REJECTED** by a vote of 4 out of 7.
- c) That if there are Cabinet members on the Committee then the Committee should be chaired by an independent member. **REJECTED** by a vote of 4 out of 7.
- d) Irrespective of the above, the number of Independent Members should be increased to two. **REJECTED** by a vote of 4 out of 7.
- e) The overall number of Councillors on the Committee be reduced to seven (from nine) appointed on a proportional basis so that the overall membership does not expand too far beyond the recommended maximum of 8 Members when including independent members. **AGREED** unanimously by all committee members.
- f) That the Committee should remain a formal decision-making body and not change to an advisory body. **AGREED** unanimously by all committee members.
- g) That a Job Description is prepared for the Chair of the Committee setting out the requirements of the role including responsibility to ensure debate is held in an open and transparent and non-political manner. **AGREED** unanimously by all committee members.

Further discussion took place regarding how the above changes would be implemented. Ms Bayley explained that she would report the changes to the Monitoring Officer and that a report with the new terms of reference would be considered by the General Purposes Committee as well as Full Council.

Member enquired if the changes would be made before the next scheduled meeting of the Audit Committee or take effect from the new Municipal Year in May 2024. Members **AGREED** that the changes should be made for the start of the 2024-25 Municipal Year.

The Audit Committee **RESOLVED** to:

1. Review and consider the CIPFA Practical Guidance for Audit Committees attached at Appendix 1 to this report.
2. Consider whether the Committee wishes to make any changes to its operation/membership in light of the Guidance and in particular to consider the options set out in Paragraph 3.23 in relation to the Membership and Independence of the Committee.
3. That the changes to the composition of the Audit Committee should be made in accordance with the above and that any such changes should come into effect for the start of the 2024-25 municipal year once the changes have been ratified by General Purposes Committee and Full Council.

#### 4.4 Treasury Management Report and Mid-Year Review

Mr Paul Audu, Interim Head of Pensions and Treasury tabled an updated version of the report and said there had been a typo in the figures presented at paragraph 3.15 of the report. Members of the Committee agreed to accept the amended version of the report.

Mr Audu referred to the report and said there were two reports on the agenda and that he'd take questions from members once both reports had been presented.

Referring to the Treasury Management mid-year report he informed members that the report covered the period of 1<sup>st</sup> April 2023 to 30<sup>th</sup> September 2023. Mr Audu took members through the report and the tables at paragraph 3.15 and 3.16 which provided a summary of the balance sheet and a summary of the treasury management position. He said at the beginning of the year the total investments were £237.950m however at 30<sup>th</sup> September 2023, the total investment was £265.467m.

He referred to paragraph 3.38 which showed the forecast performance as at 30<sup>th</sup> September 2023 and paragraph 3.44 which set out the borrowing exposure for short and long term borrowing. Mr Audu referred to the table appended at appendix A and said this summarised the investments in detail.

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 2023; and
2. Note the Council's investments as set out in Appendix 1. The balances outstanding at 30 September 2023 were £265.5m.

#### 4.5 DRAFT Treasury Management Strategy Statement, Investment Strategy Report and Capital Strategy Report for 2024-25 to 2026

Mr Paul Audu, Interim Head of Pensions and Treasury referred to the second report and said the Council under the Local Government Act 2003 had a legal obligation to ensure the CIPFA and the DLUHC Guidance on Treasury Management were fulfilled. Mr Audu said the Council was required to produce three strategy documents which set out the Council's treasury management approach. (1) The Treasury Management Strategy Statement, (2) the Investment Strategy Report and (3) the Capital Strategy Report for 2024-25.

He said the recommendations on page 26 of the 2<sup>nd</sup> supplementary agenda required approval of the Audit Committee and Full Council. He referred members to the table at paragraph 3.2 which showed the balance sheet and forecast as well as paragraph 5.7 which set out the counterparties and limits in which the Council could invest in.

The Treasury Management indicators were described at paragraph 6, page 46 onwards. Mr Audu said that due to increased use of reserves, this had an impact on the capital treasury management cash balances and if there was a likelihood of slippage in the capital programme, then there was a likelihood of additional borrowing.

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

- Referring to the Appendix 1, of the mid-year report. Councillor Kabir Ahmed asked why the CCLA -LAMIT PROPERTY Fund was showing a negative rate. Mr Audu responded stating the categories referred to different asset classes and that the Council's Investment advisors made decisions on investments. He said the companies invested in had to meet the ESG – Environmental, social and governance framework.

The Audit Committee **RESOLVED** to:

1) Approve and adopt the following policy and strategies:

- 1.1) The Treasury Management Strategy Statement (TMSS) contained in Appendix A;
- 1.2) The recommended investment counterparties and limits in Appendix A paragraph 5.7;
- 1.3) The Investment Strategy Report contained in Appendix B;
- 1.4) The Capital Strategy, which includes the Minimum Revenue Provision (MRP) Policy Statement, contained in Appendix C;
- 1.5) The Prudential and Treasury Management indicators contained in Appendix D; and
- 1.6) The Treasury Management Policy Statement as set out in Appendix E.
- 1.7) To note that the draft report may be subject to further changes as we finalise the budget reports.

## 5. AUDIT COMMITTEE TRAINING AND DEVELOPMENT PLAN

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk introduced the report and said the report outlined the Training and Development Plan for members of the Audit Committee, following the request to review the delivery of the programme by the Committee as well as the guidance issued by CIFPA in 2022, titled "Audit Committees: Practical Guidance for Local Authorities and Police".

He referred members to Appendix A, the suggested structure for training and asked members to state their preference as to what competency areas they'd like to cover first.

Following discussion, Members **AGREED** training on Risk management (option 3) and Treasury Management (option 4) should be arranged first and thereafter the newly constituted Audit Committee could agree on the training programme for the other competency areas.

- **ACTION:** Mr Dobbs to liaise with Democratic Services to identify suitable training days for the above-named training competencies.

The Audit Committee **RESOLVED** to:

1. Consider and agree the contents of the Audit Committee Training and Development plan.
2. Nominate the priority area(s) of training to be arranged for members during the next quarter.

## 6. AUDIT COMMITTEE WORK PLAN

Members of the Audit Committee noted the Committee work plan.

The Chair, Councillor Harun Miah confirmed that there would be an extraordinary meeting of the Audit Committee, on the 21<sup>st</sup> March to deal with the Accounts with the next scheduled meeting on the 18<sup>th</sup> April 2024.

## 7. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

There was no other business to be discussed by the Committee.

The meeting ended at 8.30 p.m.

Chair, Councillor Harun Miah  
Audit Committee