

Public Pack

AUDIT COMMITTEE, 08/07/2024

SECTION ONE (UNRESTRICTED)

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.35 P.M. ON MONDAY, 8 JULY 2024

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

Members Present in Person:

Councillor Harun Miah	Chair
Councillor Amin Rahman	Vice-Chair
Councillor Kabir Ahmed	(Cabinet Member for Regeneration, Inclusive Development and Housebuilding)
Councillor Abdul Malik	Chair of Human Resources Committee
Councillor Asma Begum	
Councillor Mufeedah Bustin	
Councillor Asma Islam	*substituting for Councillor Marc Francis
Charlotte Webster	Independent Person

Apologies:

Councillor Marc Francis

Others Present in Person:

Others In Attendance Virtually:

Hayley Clark	EY
Angus Fish	Deloitte
Jonathan Gooding	Deloitte
Stephen Reid	EY

Officers Present in Person:

Jill Bayley	(Head of Legal Safeguarding)
David Dobbs	(Head of Internal Audit, Anti-Fraud and Risk)
Abdulrazak Kassim	(Director Finance, Procurement and Audit)
Ahsan Khan	(Chief Accountant)
Julie Lorraine	(Corporate Director Resources)
Farhana Zia	(Democratic Services Officer, Committees, Governance)

Officers In Attendance Virtually:

1. DECLARATIONS OF INTEREST

Councillor Kabir Ahmed declared a non-pecuniary interest, in reference to item 4.1, that his wife worked for a non-local authority school in Tower Hamlets. Ms Jill Bayley, Deputy Monitoring Officer stated Councillor Kabir Ahmed could remain for the item as the item did not relate to the school his wife worked at.

2. MINUTES OF THE PREVIOUS MEETING(S)

The Audit Committee **RESOLVED**:

1. That the unrestricted minutes of 23rd May 2024 be **AGREED** and **APPROVED** as an accurate record of the meeting.

3. AUDITORS ITEMS FOR CONSIDERATION

The Audit Committee heard from both external auditors, Deloitte and EY.

Deloitte

Mr Jonathan Gooding, external auditor from Deloitte provided a brief update in relation to the outstanding accounts of 2020/21, 2021/22 and 2022/23.

He said at the 23rd April 2024 meeting, he informed Members of the Government's intention to issue guidance in relation to outstanding accounts, known as the 'backstop'. He said they were still waiting for this further guidance from government, which could be delayed due to the change in Government at the General Election. However, they were on course to deliver their opinions by the September 2024 deadline.

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

The Chair, Councillor Harun Miah thanked Mr Gooding for his update.

EY

Mr Stephen Reid, external Auditor for EY said they were making good progress with the preliminary work for the accounts of 2023/24. He said EY hoped to bring an audit work plan, setting out the timetable for auditing the accounts, to the next meeting of the Committee.

Mr Reid said his team had been given late notification of this meeting and requested any changes in date ought to be shared in good time. He acknowledged late notification may have been due to the changeover of auditors and amendments made to the distribution list for the committee.

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

The Chair, Councillor Harun Miah thanked Mr Reid for this update and his comments.

4. TOWER HAMLETS ITEMS FOR CONSIDERATION

4.1 School Audits: Annual Report for 2023-24

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk introduced the Schools Audit Annual Report for 2023-24 report. He said school audits were undertaken by a third-party firm BDO, on behalf of the Council.

He said the report appended at appendix 1 showed that a total of 14 schools had been audited over 2023-24, of which 3 had achieved a substantial rating, 10 had achieved a reasonable rating and 1 had achieved a limited assurance rating. He said overall the report showed schools were performing well against the controls in place, which included governance arrangements, budget and procurement.

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

- Referring to page 28 of the agenda pack, under personnel, Mr Dobbs confirmed the auditors did not have specific concerns in relation to safeguarding or DBS checks.
- Mr Dobbs confirmed that the school which had achieved a limited assurance would be assisted in improving their processes, via recommendations made to the Head teacher, Business Manager, and governing body.
- Mr Dobbs confirmed schools were audited on a five-year cycle. He said they did not usually revisit schools more frequently, if they achieved a lower rating, though there may be circumstances where this was considered. He said schools commission the audits which were internally re-charged. He said they communicated with schools quickly and helped them improve controls if there are significant findings.

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 undertaken during 2023-24.

4.2 Risk Management: Annual Report for 2023/24

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk stated the report summarised the risk management activity during the course of 2023-24 and provided an updated action plan designed to improve the Risk Management framework across the Council during 2024-25.

Mr Dobbs referred members to the table on page 43 and said the recruitment of the Risk Officer had been a game changer. He said the Officer had assisted in re-assessing the Corporate and Directorate level risk registers and had worked collaboratively with Corporate Directors and Head of Departments to develop the risk management policy.

Mr Dobbs said later in the year, Zurich Municipal would be presenting the findings of their health check, which will assess how effective the controls to mitigate risks are. Mr Dobbs said this would help to drive further improvements.

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

- Referring to paragraph 4.4, page 41 of the agenda pack, members asked what had been done to encourage better monitoring of overdue control measures. Mr Dobbs said Corporate Directors were engaging better in the process and over time, trend data would be presented to the Committee.
 - **ACTION:** Mr Dobbs to provide trend data on how overdue control measures are being remedied.
- In response to why some risks had not moved, Mr Dobbs stated Directorate Level risk registers were regularly provided to the Committee, with senior officers in attendance. He said the spotlight meetings were there, so Members could challenge officers in this regard.
- Referring to page 44-45 of the agenda, members queried why risks such as ORG0027 – cyber-attacks and RSB0023 – Financial Statement of Accounts, the risk rating had increased. Members asked if more resources were required in these areas? Mr Dobbs responded stating the risk relating to cyber-attacks was re-scored following the Interim Director of IT's assessment and the recent attacks other organisations have experienced.
- In reference to the risk strategy being reviewed and re-drafted, members asked if they'd be consulted in the development stage? Mr Dobbs said he'd be happy to facilitate this and would make arrangements for those members who wished to participate.
 - **ACTION:** Mr Dobbs to invite members to assist in the review and re-design of the Risk Management strategy.

The Audit Committee **RESOLVED** to:

1. Note the annual Risk Management report.

4.3 Insurance: Annual Report for 2023-24

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 3.40 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:

- Referring to paragraph 3.38, Members asked if THH had separate insurers to that of the Council. Mr Dobbs said no, they had the same insurers.
- In reference to repudiated claims referred to at paragraph 3.39, members asked if insurers do any analysis on this. Mr Dobbs replied saying some cases can be lengthy before they are drawn to a close. He said only one repudiated claim had to be re-opened, following further evidence.
- **ACTION:** Mr Dobbs said he would provide members with information on how much potholes costs the Council.

The Audit Committee **RESOLVED** to:

1. Note the contents of the report.

5. **AUDIT COMMITTEE WORK PLAN**

The Chair Councillor Harun Miah referred members to the updated workplan submitted as part of the supplementary agenda and asked members if they had any comments or suggestions to make regarding the Committee work plan.

Members had no comments or suggestions to make.

The Audit Committee **RESOLVED** to:

1. Note the Committee workplan for 2024-25.

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

6.1 **Internal Audit Annual Report: 2023-24 including Head of Internal Audit's Annual Opinion**

Mr David Dobbs, Head of Internal Audit, Anti-Fraud and Risk referred to the supplementary agenda and 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 2.3 of his report, page 9 of the supplementary agenda and said that he could provide a 'Limited Assurance' that the Council had adequate systems of governance, risk management and internal control. Referring to the table at paragraph 3.3 he said the number of audits resulting in reasonable or substantial ratings had fallen. He said from the onset the re-organisation of the Council posed a risk and it was clear this had caused some turbulence. Mr Dobbs said he would bring a snapshot of how audits over the last 10 to 12 months i.e. 2024-25 had been progressing at the October meeting of the Committee.

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

- Concern was raised in respect to the ‘advisory’ opinion shown for several audits listed in the table at appendix A. Members were not clear what ‘advisory’ meant and asked for more information to be provided.
- Mr Dobbs acknowledged the term ‘advisory’ was not helpful to members and said he would do more to ensure the term was used more sparingly for future audits.
- Mr Dobbs said he regularly reported on substantial and limited assurance audits as part of reports which came to the Committee and invited members to contact him, if they wished to see the fuller reports for any of the audits conducted by his team.
- **ACTION:** Mr Dobbs said he would report on the progress of the audits listed in appendix A to the next meeting of the Committee.
- Referring to the point 34 ‘Contract Management’, page 18 of the supplementary agenda, Members asked why this audit had been cancelled. Mr Dobbs responded stating this was due to a resourcing issue however it had been included in the audit plan for 2024-25.
- Referring to the paragraph 5.5 ‘Other inspection work’ Councillor Bustin said both the positives and negatives from the inspection reviews ought to be reflected. Mr Dobbs said his wording may be subjective, but it referred to the inspections that had taken place during the reporting year.
- Referring to paragraph 3.2, bullet point 3 and 22 limited assurances, members asked what had been done to tackle this? Mr Dobbs said these had been raised with the Corporate Leadership Team as well as the Heads of Service concerned. He said the Directorate leadership teams had oversight of the risks and these were regularly reported to the committee, with senior officers questioned on the improvement and/or action plans.

The Audit Committee **RESOLVED** to:

1. Note the content and opinion of the Head of Internal Audit as outlined within the Head of Internal Audit Annual Report which includes a summary of the work undertaken during 2023-24.

7. EXCLUSION OF PRESS AND PUBLIC

The Chair **MOVED** and it was:

RESOLVED

“That, under the provisions of Section 100A of the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985, the press and public be excluded from the remainder of the meeting for the consideration of the Section Two business on the grounds that it contains information defined as Exempt in Part 1 of Schedule 12A to the Local Government Act, 1972.”

7.1 RESTRICTED MINUTES FROM THE PREVIOUS MEETING(S)

The restricted minutes for the 23rd May 2024 were **AGREED** and **APPROVED** to be an accurate record of the meeting.

The restricted minutes from the extraordinary meeting of 27th June 2024 were **AGREED** and **APPROVED** to be an accurate record of the meeting save for three points raised under matters arising.

7.2 ADULT SOCIAL CARE PROCUREMENT: VERBAL UPDATE

The minute for this item is restricted.

The meeting ended at 8.26 p.m.

Chair, Councillor Harun Miah
Audit Committee

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of the Local Government Act 1972.

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