

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 6.30 P.M. ON MONDAY, 29 JUNE 2009

**MEETING ROOM M71, SEVENTH FLOOR, TOWN HALL, MULBERRY PLACE, 5
CLOVE CRESCENT, LONDON, E14 2BG**

Members Present:

Councillor Fazlul Haque (Chair)

Councillor Helal Abbas

Councillor Clair Hawkins

Councillor Denise Jones

(Scrutiny Lead Member: A Safe and Supportive Community)

Councillor Stephanie Eaton

(Leader Liberal Democrat Group)

Councillor David Snowdon

Other Councillors Present:

Officers Present:

Alan Finch

– (Service Head, Corporate Finance, Resources)

Minesh Jani

– (Service Head, Risk Management)

Mario Leo

– (Head of Legal Services - Environment)

Jon Hayes

– (District Auditor, Audit Commission)

Sharon Martin

– (Senior Audit Manager, Audit Commission)

Zoe Folley

– (Committee Officer, Chief Executive's)

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1. INTRODUCTIONS AND ANNOUNCEMENTS.

The Chair, Councillor Haque, welcomed all to the meeting and asked all in attendance to introduce themselves.

Councillor Haque reported that some of the non urgent items of business on the agenda may need to be deferred for consideration at the next meeting of the Committee as Members of the Committee were due to attend another meeting this evening starting at 7:00pm.

Councillor Eaton strongly objected to this proposal. She considered that this was an important meeting at which vital issues to the Authority would be discussed. This should not be rushed. She strongly objected to the proposal to defer these items to the next meeting in September. Councillor Snowdon concurred with these views.

2. APPOINTMENT OF VICE CHAIR**RESOLVED**

That Councillor Helal Abbas be appointed Vice-Chair of the Audit Committee for the municipal year 2009/10.

3. APOLOGIES FOR ABSENCE

No apologies were reported.

4. DECLARATIONS OF INTEREST

Councillor Fazlul Haque declared a general personal interest in the agenda. The declaration was made on the basis that the agenda contained references to Tower Hamlets Homes and Councillor Haque was a member of the Tower Hamlets Homes Board.

Councillor Denise Jones declared a general personal interest in the agenda. The declaration was made on the basis that the agenda contained references to:

- the Tower Hamlets Primary Care Trust (PCT) and
- Tower Hamlets Homes

And Councillor Jones was a non Executive Delegate for the Council on the PCT and a member of the Tower Hamlets Homes Board.

5. UNRESTRICTED MINUTES

RESOLVED that the unrestricted minutes of the meeting held on 31st March 2009 be approved subject to minute 5.2 (Annual Audit and Inspection Letter) being amended to clarify that the letter would be circulated to all Members and submitted to Cabinet in May for Member consideration. As a result it would not be submitted to this meeting for further Member consideration.

- **Matters Arising**

Mr Minessh Jani (Service Head Risk Management) reported that a number of presentations from services were due to be given at this meeting. Development & Renewal were due to present an update on Section 106 planning obligations, addressing the actions requested by the Committee on 31st March 2009 (minute 4.2).

Asset Management were also due to report on the Commercial Property Portfolio addressing the risks in this area. (Minute 4.3 (a)). However due to time constraints, these presentations would now be considered at the next meeting of the Audit Committee to be held on 29th September 2009.

ACTION BY: Minessh Jani (Service Head Risk Management)

Democratic Services (ZF)**6. DEPUTATIONS AND PETITIONS**

None received.

7. AUDIT COMMITTEE TERMS OF REFERENCE AND MEMBERSHIP

RESOLVED that the Terms of Reference and Committee Membership and future dates of meetings be agreed.

Councillor Hawkins considered that some of the future dates clashed with meetings of the General Purposes Committee and LAP meetings. Councillor Hawkins also pointed out that Councillor Shahed Ali was listed as a Deputy Member for the Respect Group, but was no longer a member of this Group. This needed to be reviewed. **ACTION BY:** Zoe Folley, (Committee Officer). Democratic Services.

8. UNRESTRICTED AUDIT COMMISSION REPORTS FOR CONSIDERATION**8.1 Tower Hamlets Pension Fund - Annual Audit Fee 2009/10**

Mr Jon Hayes (District Auditor, Audit Commission) introduced the report of the Audit Commission.

The report confirmed the audit work they proposed to undertake for the 2009/10 financial year on the Tower Hamlets Pensions Fund. Following a brief discussion, it was **RESOLVED** that the report be noted.

ACTION BY: John Hayes (District Auditor, Audit Commission)

8.2 LBTH - Annual Audit Fee 2009/10

Mr Jon Hayes (District Auditor, Audit Commission) presented the report of the Audit Commission confirming the work they proposed to undertake for the 2009/10 financial year at the Authority.

The Committee considered a summary of the total indicative fee for the audit for 2009/10.

Councillor Haque queried the rise in fees baring in mind the Authority was now a four star Authority. Councillor Eaton requested that the rise in fees on the financial statements be discussed.

In reply, Mr Hayes reported that the level of fee was shaped by a number of factors including the requirements within the International Financial Reporting Standards and the current economic climate.

Mr Hayes also reported that the criteria was by and large guided by the scales of fees set by the Audit Commission. The fee for 2009/10 was 9% below the scale. The figures for 2009/10 were indicative at present.

Finally it was **RESOLVED** that the report be noted.

ACTION BY: John Hayes (District Auditor, Audit Commission)

8.3 Audit Committee Progress Report June 2009

Mr Hayes (District Auditor, Audit Commission) introduced the progress report. The purpose of which was to brief the Audit Committee on audit work completed by the Audit Commission since March 2009 and to inform the Committee of work currently being planned or undertaken.

Details of all work included in the 2008/09 report were attached to the report.

In relation to homelessness (page 27 of the agenda), Ms Sharon Martin (Senior Manager, Audit Commission) clarified that the work on this review was complete and the Audit Commission were now satisfied that the issues were being taking forward in action plans prepared by the Council. The Audit Commission work in this area will inform the Use of Resources assessment and a separate report would not be issued.

Councillor Ohid Ahmed asked about the fees quoted for Grant Claims given that there were now fewer grants claims that required certification by the Audit Commission. He commented that in particular the Council would not be receiving European Funding in the future. Mr Hayes reported that the figure for 2008/09 had yet to be finalised. However, once completed, this would inform the 2009/10 calculation. He also commented that the fee for grants had reduced in recent years in line with the reduction in the number of claims requiring certification.

Mr Hayes also clarified that the references to individual officers in the named officers column (in Appendix 1&2 of the report) related to their role rather than the post holder.

RESOLVED that the report be noted.

ACTION BY: John Hayes (District Auditor, Audit Commission)

9. UNRESTRICTED TOWER HAMLETS ITEMS FOR CONSDIERATION

9.1 Annual Governance Statement 2008/09

Mr Jani (Service Head Risk Management) introduced the Annual Governance Statement for 2008/09. The report sets out the framework for reviewing and reporting on the Council's systems on internal control and governance. The

purpose of this review was to provide assurance that the accounts were underpinned by adequate governance arrangements.

Councillor Eaton requested that the list of key governance and control issues, set out on page 38 of the report be expanded to include the following points:

- To improve the management of sickness absence;
- To review and ensure the arrangements for safeguarding children;
- To review and ensure the delivery of additional housing to reduce overcrowding in accordance with Cabinet policy in this area.

In response to advice from Mr Leo (Head of Legal Services, Environment), Mr Jani agreed to review the above suggested amendments, to clarify any areas outside the Authority's control and to report any significant issues arising from this back to the Committee for further discussion. **ACTION BY.** M Jani (Service Head Risk Management)

RESOLVED:

- (1) That the process and finding set out in paragraphs 4.1 and 7.4 of the report, be noted; and
- (2) That the Annual Governance Statement for the financial year 2008/09 at Appendix 3 to the report be agreed subject to the inclusion of the amendments proposed by Councillor Eaton and that any issues arising from the amendments be reported back to the next meeting of the Committee.

ACTION BY: **Chris Naylor (Corporate Director Resources)**
 Minesh Jani (Service Head Risk Management)

9.2 Final Accounts 2008/09

Mr Finch (Service Head Corporate Finance) introduced the Draft Statement of Accounts for 2008-09 covering the key points within. He invited the Committee to consider and approve the Accounts and following on from that the Chair to sign a copy of them for submission to the external auditor.

In response, Mr Finch reported on the process for preparing the draft accounts. Mr Finch commented that this was a long and complex process, which started at the end of the financial year ending 31st March 2009.

The accounts had been submitted to the external Auditor for consideration. This process was due to run until the end of September 2009 and would be publicised to the public, who during which time, would be able to raise issues on the Accounts.

Councillor Abbas queried the implications of the loss on the Pension Fund Accounts. In reply, Mr Finch reported on the losses incurred during the year

and that this was likely to be fairly typical as all Local Government Pension schemes were subject to the same market conditions due to the current economic climate. However, it was a relatively immature scheme and was not due to pay the bulk of liabilities for many years. Mr Finch expressed near certainty that the markets would recover in this time and the funds value would rise accordingly.

Councillor Haque referred to the International Financial Reporting Standards. He asked about the planning process for this? Mr Finch clarified that a project team had been established to take forward this work and an accountant had been seconded to work on this. Further advice from CIPFA was awaited to clarify what exactly needed to be done.

In relation to reserves, Councillor Abbas asked whether they were sufficient in view of the economic downturn? Mr Finch acknowledged that the downturn introduced a fair degree of uncertainty and pressure on budgets. However he was confident that the reserves were sufficient.

RESOLVED:

1. That the draft final Statement of Accounts for the financial year ending 31st March 2009 be approved;
2. That it be noted that the accounts will now be submitted for audit; and
3. That progress towards meeting the International Financial Reporting Standard (IFRS) be noted.

ACTION BY: **Chris Naylor (Corporate Director Resources)**
 Alan Finch (Service Head Corporate Finance)

10. ITEMS DEFERRED TO THE NEXT MEETING

RESOLVED: That the following items of business be deferred for consideration at the next meeting of the Audit Committee on 29th September 2009:

- Internal Audit Annual Report 2008/09
- Annual Anti Fraud Report 2008/09
- Anti Fraud and Corruption Strategy Red Book 2
- Treasury Activity for Period Ending 31st May 2009

The meeting ended at 7.10 p.m.

Chair, Councillor Fazlul Haque
Audit Committee