

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.30 P.M. ON TUESDAY, 15 DECEMBER 2009

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

Members Present:

Councillor Fazlul Haque (Chair)

Councillor Clair Hawkins

Councillor Denise Jones

(Scrutiny Lead Member: A Safe and Supportive Community)

Councillor Dr. Emma Jones

Other Councillors Present:

None

Officers Present:

Chris Naylor

– (Corporate Director, Resources)

Alan Finch

– (Service Head, Corporate Finance, Resources)

Minesh Jani

– (Service Head, Risk Management)

Tony Qayum

– (Head of Audit Services, Internal Audit, Resources)

Steve Vinal

– Service Manager, Deloittee

Sayeed Kadir

– (Directors of Tower Hamlets Homes)

Jackie Odunoye

– (Service Head Strategy Regeneration and Sustainability, Development & Renewal)

John Chilton

– (Head of Parking Services, Communities Localities and Culture)

Zoe Folley

– (Committee Officer, Democratic Services Chief Executive's)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received on behalf of Councillors Abbas, Eaton and Snowdon. It was also reported that Councillor Dr Jones would be deputising for Councillor Snowdon.

Noted.

APPOINTMENT OF VICE CHAIR FOR MEETING

In view of the unavailability of the Vice – Chair Councillor Abbas, the Chair Councillor Haque sought nominations for the appointment of a Vice – Chair for the duration of the meeting.

Accordingly it was **RESOLVED** that Councillor Hawkins be appointed Vice – Chair for the duration of the meeting.

2. DECLARATIONS OF INTEREST

Councillor F. Haque (Chair) 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 D. Jones 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 Jones was a member of the Tower Hamlets Homes Board.

3. UNRESTRICTED MINUTES

RESOLVED that subject to the amendment below the unrestricted minutes of the meeting held on 29th September 2009 be approved -

Minute 6.1 (Tower Hamlets Annual Governance Reports 2008/09) – Second Paragraph be reworded to state that in relation to the £120m assets incorrectly included in the previous years balance sheet, Councillor Haque queried the reasons for this and asked that it be clarified.

ACTION BY: Zoe Folley (Democratic Services)

4. DEPUTATIONS AND PETITIONS

None received.

5. UNRESTRICTED AUDIT COMMISSION REPORTS FOR CONSIDERATION

Nil Items.

6. UNRESTRICTED TOWER HAMLETS ITEMS FOR CONSIDERATION**6.1 Quarterly Internal Audit Assurance Report September 2009 - November 2009 (AC/001/09)**

Mr Minesh Jani (Service Head Risk Management) introduced the report and explained the four assurance ratings assigned to each area audited for the benefit of the Committee.

Mr Jani reported that the percentage of priority 2 recommendations implemented at the follow stage was 71% but the target was 95% and reaching this was a key aim. Corporate wide action had been taken to improve this score. It was anticipated that this would have the desired effect.

In reply to a question from Councillor Haque, Mr Jani reported that all of the recommendations not implemented were submitted to and discussed with the Corporate Directors and this enabled them to be considered with Audit what needed to be done.

It was **RESOLVED** that a progress report be submitted to the next meeting of the Committee (highlighting progress in reaching the targets). It was also **RESOLVED** that where no progress had been made, the Corporate Director be asked to submit a written response explaining the reasons for the lack of progress.

ACTION BY: Minesh Jani (Service Head Risk Management)

(a) Management of Major Works – Systems Audit - Limited (Extensive Assurance)

Mr Jani reported on the reasons why the above had been assigned a limited assurance. Overall it was considered that the systems of control for recovering outstanding arrears and debt recovery needed to be strengthened. Mr Jani welcomed to the meeting Ms Jackie Odunoye (Service Head Strategy - Innovation & Sustainability) and Sayeed Kadir (Director of Tower Hamlets Homes).

The officers reported the following points:

- Ms Odunoye reported that since the fieldwork had been completed a considerable amount of progress had been made. The Council and Tower Hamlets Homes had implemented a major Leaseholder Improvement Programme and had submitted a report to the Corporate Management Team on leaseholder service charges.
- The contract framework had been re tendered. There was also specific/individual contract tendering to improve performance and progress had been made in bringing the contractors final accounts up to date. The final accounts were updated on a monthly basis.
- As part of the Leaseholder Improvement Plan, consideration would be given to putting fees against properties.

- The Tower Hamlets Homes Board received regular reports where debt recovery and collection was covered in a significant way.
- Mr Kadir reported that the contacts for major works had been re tendered as a result they were now more cost efficient.
- Where there was a legal issue that could not be resolved and it was not possible to implement the final certification, time limits would be put on cases to force completion. The key target was to complete work on time and the Staff Performance Development Reviews would focus on this. There was also proactive recovery letters, and action to encourage the use of direct debit. Last month (November 2009) the target for recovery had been exceeded. The sum recovered was £1.4 million representing the services best performance in three years. The target for this month was £1 million as of today (15th December 2009) the service had collected £700,000.

Councillor Hawkins queried the overall level of debt, the number of write offs and the number of charges not being placed on properties. Ms Odunoye stated that the collection figures for debt recovery had risen throughout the year. The target for the third quarter was £15,000 and at this point in the year it expected that the third quarter target would only narrowly be missed. The service was looking to half the overall level of major works debt by the end of the year. Tower Hamlets Homes was preparing a schedule for major works write offs to be completed by the end of this year and then subjected to the Council's processes. In cases where leaseholders at risk of losing their properties were unable to pay for the charges, Tower Hamlets Homes was exploring alternative recovery routes.

Councillor Haque queried at which point in the process would a debt be written off and the mortgage company be contacted? Mr Kadir clarified that the service had a qualified in house debt advisor. The mortgage company would only be contacted as a last result option. There was a timescale for major works and they were carried out in accordance with the statutory legislation and the leaseholder contracts.

The service had also starting undertaking up front charges and incremental billing as each section of work was completed to enable customers to pay in stages.

(b) Teesdale Estate Concrete Works and Associated Repairs (Limited, Moderate Assurance)

Sayeed Kadir (Director of Tower Hamlets Homes) reported on progress made in implementing the outstanding recommendations from the original audit in June 2008.

Mr Kadir reported that the contracts for the work previously covered by the Framework Contracts had been re tendered and they also had made the Quantity Surveyors responsible for overseeing the costs of work.

Mr Kadir met with Audit on a regular basis to consider the audit recommendations and they were also submitted reports to the Tower Hamlets

Homes Finance Board and the Council's Finance Team on a quarterly basis. It was **RESOLVED** that a progress report be submitted to a future meeting of the Audit Committee.

ACTION BY: **Minesh Jani (Service Head Risk Management)**
Democratic Services

(c) Management and Control of Blue Badges – Systems Audit

Mr John Chilton (Head of Parking Services, Communities Localities and Culture) reported on progress made in implementing the audit recommendations for the management and control of Blue Badges .

He referred to the recommendations regarding the Parking Services (CRM) IT system. There was currently a major procurement process underway to replace the system and it was expected that an award of contract for the replacement of the system would be made in the new year. Therefore the difficulties with accessing the system, producing management reports for quality control purposes would be addressed. A structural review of Parking Services was underway and it was expected the vacant posts of Permit Schemes Manager and Team Leader Investigations would be appointed to in the new year. The Mobility Contract had gone out to tender and this process should be completed by the middle of June 2010.

In reply to questions, Mr Chilton reported that in looking at the audit in terms of impact on customers, the main issues were probable the failure of the service to systematically monitor complaints as a means of improving customer service. Steps were being taken to address this and all other issues raised in the Audit. . The service did use customer feedback to improve performance already but needed to be more systematic in recording this.

In reply to questions Councillor Haque Mr Chilton clarified that the Mobility Team handled less than £10,000 per annum in respect of the replacement of Freedom Bus Passes and the replacement of the Blue Badge clocks. This figure would be significantly reduced in 2010 and subsequently if the charge for replacement freedom passes dropped. This was subject to Cabinet approval but arose from changes in the way Freedom Passes were to be administrated in London (by London Council's). The Mobility Team would continue to charge for the replacement of the Blue Badge clocks where the customer had elected to take a Tower Hamlets Disabled Persons Parking Permit in addition to the EU Blue Badge Permit. It was believed that the Team should continue to charge for this as a means of discouraging fraudulent claims of lost/stolen clocks and then use of the blue badges and disabled permit at the same time. The issues around the speed of receiving payments had been resolved with assistance from the Cashier Office.

RESOLVED that the feedback presentations on the limited assurance risks be noted.

6.2 Annual Internal Audit Report for Schools – 2008/09 (AC/002/09)

Mr Steve Vinnel (Deloitte& Tauche) presented the findings of the Annual Audit Report for Schools for 2008/09 drawing attention to the common findings and the conclusions.

In reply to a question from Councillor Jones, Mr Vinnel stated that the findings of the Audit were reported to the Head Teachers and the School Governors. The Audit Inspectors also held exit interviews with the school staff. At which they would highlight the key findings and would agree recommendations. Schools were also sent copies of draft reports.

Councillor Haque considered that the systems in place in schools needed to be strengthened given most schools audited only met the minimum standards. He considered that the findings in respect of CRB checks were a particular cause for concern.

In reply to a further question about the Council's role in strengthening the systems of control, Mr Jani reported that the systems of control in place varied between individual Schools. The Council could take steps to ensure the key objectives were met. It was intended that the Corporate Directors and Children's School's and Families would formulate an improvement plan based on the findings and that often school audits were followed up with an intensive level of support from Children's Schools and Families.

Councillor Haque considered that there were inconsistencies between schools and that this needed to be addressed. He commented that the number assigned substantial assurance (eight) was quite low. Members considered that an implementation plan should be produced to show how schools planned to improve. It was **RESOLVED** that this information would be reported back to the Committee in March. Councillor Haque also considered it important to establish which schools were reaching the standards. It was **RESOLVED** that this information be included in the report requested.

RESOLVED: That the contents of the report (AC/002/09) be noted and the matters raised by audit in each of the 12 areas examined be taken into account.

ACTION BY: **Mr Steve Vinnel (Deloitte& Tauche)**
 Minesh Jani (Service Head Risk Management)

6.3 Annual Governance Statement for the 2008/09 Accounts Update (AC/003/09)

Mr Minesh Jani (Service Head, Risk Management) introduced the report. The report updated the Audit Committee on the progress made in dealing with the significant issues identified in the annual government statement.

In response to the report, Members discussed the likelihood that Tower Hamlets Homes would achieve Two Star Status and the funding to be generated by this. The Committee indicated that they should keep a watchful eye over this matter given the implications for the Decent Homes Programme.

Following which it was **RESOLVED** That the action in dealing with the issues raised on the annual governance contents of the report be noted.

6.4 Update on Risk Management (AC/004/09)

Mr Minesh Jani (Service Head, Risk Management) presented the report. The report provided an update on the Council's risk management arrangements. The report also captures the risks reported to the Corporate Management Team as part of the recent risk management update.

Mr Jani outlined the key improvements as detailed in the report. Mr Jani reported that the Corporate Risk Register was considered at a Corporate and a Directorate level and at the Finance Strategy Group. A key aim of the improvements was to make the process for managing risk simpler. He referred to the development of an automated system for capturing risk which was JCAD. It was also reported that the Council had appointed a number of Risk Champions. The Risk Champions held quarterly meetings with Audit where they examine pertinent risks for reporting to the Corporate Management Team.

Attention was drawn to the new issues in particular the risks around future budget settlements, not achieving the energy efficiency requirements, the implications of the Laming Report and the failure to deliver Decent Homes by 2016.

In response to questions, it was reported that the Risk Champions received specific training and there was an e-learning tool for staff use at a lower level. There was also a wider risk management forum made up of key bodies such as the Police, the PCT and Fire Services and the aim of this was to gain a holistic picture of risk. All of the Risk Champions were Service Heads or one tier below in every directorate.

It was **RESOLVED** that an update on the Working Neighbourhoods Fund (WNF) be submitted to the Committee at its next meeting in March 2010. It was also noted that the funding for this initiative was due to expire in October 2010. The Committee stressed the need to identify the implications of this risk and to take early action before the funding expired. C Naylor **RESOLVED** to report back to the Committee about this.

It was also reported the WNF monitoring group reviewed progress against spend and were due to produce a report in June 2010.

RESOLVED: That the contents of the report (AC/004/09) and the actions planned over the next year to embed risk in section 8 of the report be noted.

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

6.5 Revised Internal Audit Plan 2009/10 (AC/005/09)

Mr Minesh Jani (Service Head, Risk Management) presented the revised internal Audit Plan drawing attention to the key changes. Following a brief discussion it was **RESOLVED** That the contents of the report (AC/005/09) be noted and the changes to the 2009/10 internal audit plan be endorsed.

6.6 Progress on National Fraud Initiative 2008/09 and Anti Fraud Update (AC/006/09)

Mr Tony Qayum (Head of Audit Services) presented the report highlighting the key issues.

Mr Qayum reported the following points:

- The Government was encouraging the use of publicity campaigns to prevent housing fraud. Namely the subletting of RSL properties. Posters encouraging people to report suspected cases had been placed in a variety of public places including doctors surgeries.
- Audit were working with all RSLs and services across the Council (such as legal services) to facilitate recovery and prosecution where there was evidence of housing fraud. Progress reports for this particular area of work would be reported to the Audit Committee on a quarterly basis.

In reply to questions, the Committee noted:

- The Government had also awarded the Council £50,000 for recovery and prosecution. The Council was utilising this funding to establish the extend of Housing Fraud within the Authority. At this point it was too early to tell how significant the problem was. However the new processes in place should allow officers to identify the scope of the problem.
- Appendix A indicated that the Audit Commission target of 15% for recovery and prosecution had been met. Further government funding for this area of work may follow.

RESOLVED: That the contents of the report (AC/006/09) be noted.

6.7 Treasury Activity for Period Ending 30th November 2009 (AC/007/09)

Mr Finch (Service Head Corporate Finance) presented the report highlighting the key points. Mr Finch reported that paragraph 5 (Credit Criteria) showed the credit requirements placed on financial institutions to which the Council

lends. All of which demonstrated the relative strength of the banks within the Council's lending and investment list. Mr Finch confirmed that the Council had restricted investment to institutions that had support from national governments and had a strong parent body and were approved by the ratings agencies as fit for purpose. At the request of the Chair, Mr Finch clarified the meaning of the credit ratings listed in Table 1 of the report regarding Credit Rating Requirements.

All of the institutions within table 3, (the investment strategy list of current investments) were UK based institutions. In the event the UK rating decreases and becomes less than that overseas, this position would be likely to change. A key issue was a lot of the banks that met the criteria were not currently lending.

It was planned to restrict the term for investment to a 6-9 month duration as there was advice that the interest rates may rise in 2010. The Council was currently making a 1.56% return on its investments which represented a relatively strong performance over the period being more than 1% over the Bank of England base rate.

RESOLVED: That the contents of the report (AC/007/09) be noted.

7. ANY URGENT UNRESTRICTED BUSINESS

None reported.

8. DATE OF NEXT MEETING.

Tuesday 30th March 2010 7:30pm.

The meeting ended at 9.25 p.m.

Chair, Councillor Fazlul Haque
Audit Committee