

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.00 P.M. ON TUESDAY, 20 SEPTEMBER 2011

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

Members Present:

Councillor Carlo Gibbs (Chair)
Councillor David Edgar (Vice-Chair)
Councillor Craig Aston
Councillor Stephanie Eaton

Other Councillors Present:

Officers Present:

Jill Bell	– Head of Legal Services (Environment), Legal Services
Alan Bryce	– (Head of Counter Fraud, Audit Commission)
Sally – Anne Eldridge	– (Senior Audit Manager, Audit Commission)
Peter Hayday	– (Interim Service Head, Financial Services, Risk and Accountability)
Jon Hayes	– (District Auditor, Audit Commission)
Minesh Jani	– (Head of Audit and Risk, Financial Services Risk & Accountability, Resources)
Keith Burns	– (Interim Project Manager, Commissioning and Strategy, Adults Health and Wellbeing)
Bharat Mehta	– (Audit Manager)
Kevin Miles	– (Chief Accountant, Resources)
Tony Qayum	– (Corporate Fraud Manager, Internal Audit, Resources)
Steve Vinall	– (Service Manager, Deloitte & Touche)
Louise Fleming	– (Senior Committee Officer, Democratic Services)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor Khales Uddin Ahmed and Denise Jones.

2. DECLARATIONS OF INTEREST

Councillor Carlo Gibbs declared a personal interest in item 6.5 (Annual Internal Audit for Schools 2010/11). The declaration of interest was made on the basis that the report made reference to Bangabandhu Primary School, of which Councillor Gibbs was a School Governor.

3. UNRESTRICTED MINUTES

RESOLVED

That the minutes of the meeting of the Audit Committee held on 28th June 2011 be agreed as a correct record of the meeting and the Chair be authorised to sign them accordingly.

3.1 Protocol for dealing with requests from the Council to the Audit Committee

The Committee considered a draft protocol for dealing with requests from the Council to the Audit Committee, following the referral of a Member question at the Council meeting on 13th April 2011. The protocol would give the Chair of the Committee authority to determine whether the referral was in the remit of the Committee before the next meeting took place.

Members expressed concern over the delay in considering the referral from the April Council meeting. However it was noted that the Protocol would act as a tool to assist making future decisions.

RESOLVED

That the Protocol for dealing with requests from the Council to the Audit Committee as set out in Agenda Item 3.1 be approved.

4. UNRESTRICTED REPORTS FOR CONSIDERATION

4.1 Fraud Briefing from Protecting the Public Purse

The Committee considered a presentation by Mr Alan Bryce, District Auditor, Audit Commission, which compared the performance of Tower Hamlets with similar authorities in tackling seven of the most common types of fraud. It was noted that the Council had been performing well. However, more work was needed in respect of tenancy fraud and there was a need to build up robustness around fraud prevention.

Members asked a number of questions in respect of Single Person Discount fraud and personal budgets. It was noted that officers were working with colleagues in Adults Health and Wellbeing to mitigate the risk and that there was a need to be agile in the response, with an effective gateway system and ensuring there was a robust assessment process in place. It was

also noted that officers would investigate Invest to Save proposals and report back to the Audit Committee on a regular basis.

RESOLVED

1. That the contents of the Audit Commission report be noted; and
2. That the Tower Hamlets response to the Audit Commission recommendations be reported to the next meeting of the Audit Committee.

5. UNRESTRICTED AUDIT COMMISSION REPORTS FOR CONSIDERATION

5.1 Annual Governance Report - Council Accounts

Special Circumstances and Reasons for Urgency **Agreed.**

- The report was unavailable for public inspection within the standard timescales set out in the Authority's Constitution because the Audit Committee had to be brought forward by a week.
- The Corporate Director Resources recommends that the Committee note the findings of the annual governance report for 2010/11 to allow the auditors to provide their audit opinion by the statutory deadline of 30th September 2011.

Mr Jon Hayes of the Audit Commission presented the Annual Governance Report for both the Council Accounts and the Pensions Fund, highlighting the key areas for consideration.

The Chair thanked officers for their efforts as the process had been more effective this year, following concerns about the accounts last year. Members asked questions about the length of time taken to value assets and noted that a judgement needed to be taken by officers due to the cost of valuing assets in a shorter timeframe. However, the Committee requested that information on the value of assets be made available in time for the budget planning process.

RESOLVED:

That the draft Annual Governance Report for 2010/11 for the Council Accounts and Pension Fund, in particular the Action Plan at Appendix 5, be agreed.

5.2 Annual Governance Report - Pensions Fund Accounts

Special Circumstances and Reasons for Urgency **Agreed.**

- The report was unavailable for public inspection within the standard timescales set out in the Authority's Constitution because the Audit Committee had to be brought forward by a week.
- The Corporate Director Resources recommends that the Committee note the findings of the annual governance report for 2010/11 to allow the auditors to provide their audit opinion by the statutory deadline of 30th September 2011.

RESOLVED:

That the draft Annual Governance Report for 2010/11 for the Pension Fund Accounts and Pension Fund, in particular the Action Plan at Appendix 5, be agreed.

6. UNRESTRICTED TOWER HAMLETS REPORTS FOR CONSIDERATION

6.1 Statement of Accounts 2010/11

Special Circumstances and Reasons for Urgency **Agreed.**

- The report was unavailable for public inspection within the standard timescales set out in the Authority's Constitution because the Audit Committee had to be brought forward by a week.
- The Corporate Director Resources recommends that the Committee note the findings of the annual governance report for 2010/11 to allow the auditors to provide their audit opinion by the statutory deadline of 30th September 2011.

Mr Peter Hayday, Interim Service Head Financial Services, Risk Management and Accountability presented the report and advised that none of the subsequent changes made affected the bottom line. Mr Hayday advised that future sourcing was being looked at with a view to having a more integrated system which would result in less reconciliations, and outlined the proposed timetable and procurement process in response to Members questions. He thanked the Chief Accountant's team and the external auditors for their efforts which had enabled a constructive process.

RESOLVED:

1. That the Statement of Accounts for the financial year ended 31st March 2011 be Approved, having regard for the auditors Annual Governance Report (agenda item 5); and
2. Agree that if the auditor identifies any further significant issues the Chair of the Committee be delegated to approve any subsequent amendments to the Statement of Accounts that may be necessary as the result of further audit work and the Chief Finance Officer will brief members of the Committee and, if necessary, prepare a formal report to the next meeting of the Committee.

6.2 Quarterly Internal Audit Assurance Report

Mr Minesh Jani, Head of Risk Management, presented the report which summarised the work of Internal Audit for the period June to August 2011, highlighting the key areas for consideration, including the Information Security – Papers Based Data Storage and Disposal; Community Equipment Store; and the Apasenth Day Service Provision Contract Management and Monitoring.

RESOLVED:

That the report, and the account of the assurance opinion assigned to the systems reviewed during the period, be noted.

6.3 Annual Anti Fraud Report 2010/11

Mr Tony Qayum, Corporate Fraud Manager, presented the report which provided an update of the reactive and anti fraud work undertaken during 2010/11 and responded to a number of questions by Members in relation to staff members who had left the Authority following NFI probity checks and concerns about the undervaluing of properties in Right to Buy Schemes. Mr Jani advised that there had been legacy issues but that governance had improved.

RESOLVED

1. That the report be noted; and
2. That an update on the future of the Audit Commission would be reported to the next meeting.

6.4 Social Housing Fraud Update

Mr Tony Qayum, Corporate Fraud Manager, presented the report which provided an update on the work of the Social Housing Fraud team and its successes to date in the recovery of unlawfully let public sector dwellings. Mr Qayum advised that more proactivity was needed as there was potential work to be done with leaseholders and family sized accommodation.

In response to a Member question regarding the possibility of an outside body making collections for a percentage, Mr Hayday advised that the matter would be taken into account for the Invest to Save proposals.

RESOLVED

That the report be noted.

6.5 Annual Internal Audit for Schools 2010/11

Councillor Carlo Gibbs declared a personal interest in item 6.5 (Annual Internal Audit for Schools 2010/11). The declaration of interest was made on the basis that the report made reference to Bangabandhu Primary School, of which Councillor Gibbs was a School Governor.

Mr Minesh Jani, Head of Risk Management, presented the report which summarised the work of Internal Audit in relation to the audit of schools for the financial year 2010/11. Mr Jani advised that there had been an improvement compared to previous years.

RESOLVED:

That the contents of the report be noted, taking into account the matters raised by Audit (Appendix A) and the action taken by the education service (Appendix B).

6.6 Revised Treasury Management and Investment Strategy 2011/12

Mr Peter Hayday, Interim Service Head Financial Services Risk and Accountability, presented the report which set out the Treasury Management Strategy, the Annual Investment Strategy and the Minimum Revenue Provision (MRP) Policy Statement for consideration prior to the full Council meeting in November. Mr Hayday responded to Members questions regarding the current uncertainty in the market, the security of the Council's investments and the possibility of using other credit rating agencies. In response to Members, Mr Hayday also undertook to ensure that the changes reflected in the report would be made clearer in future.

RESOLVED:

1. That Full Council be recommended to adopt:
 - 1.1 The Treasury Management Strategy Statement set out in sections 7-11 of the Committee report;
 - 1.2 The Annual Investment Strategy set out section 12 of this report; and
 - 1.3 The Minimum Revenue Provision Policy Statement set out in section 13 of the Committee report, which officers involved in treasury management must then follow.
2. That the Corporate Director Resources, after consultation with the Lead Member for Resources, be delegated authority to vary the figures in this report to reflect decisions made in relation to the Capital Programme prior to submission to Budget Council.

6.7 Treasury Management Activity Update report to August 2011

RESOLVED:

That the contents of the report be noted.

The meeting ended at 9.04 p.m.

Chair, Councillor Carlo Gibbs
Audit Committee