

**LONDON BOROUGH OF TOWER HAMLETS**

**MINUTES OF THE AUDIT COMMITTEE**

**HELD AT 7.15 P.M. ON TUESDAY, 28 JUNE 2016**

**TOWN HALL, MULBERRY PLACE, 5 CLOVE CRESCENT, LONDON, E14 2BG**

**Members Present:**

Councillor Candida Ronald (Chair)

Councillor Andrew Cregan

Councillor Denise Jones (Vice Chair)

**Other Councillors Present:**

**Apologies:**

Councillor Sabina Akhtar

Councillor Ohid Ahmed

Councillor Harun Miah

Councillor Craig Aston

**Others Present:**

Andrew Sayers

– KPMG

Anthony Smith

– KPMG

**Officers Present:**

Zena Cooke

– Corporate Director of Resources

Kevin Miles

– Chief Accountant

Minesh Ali

– Service Head – Risk Management

Chris Holme

– Service Head – Resources &  
Economic Development

Tony Qayum

– Corporate Anti-Fraud Manager

David Tolley

– Head of Trading Standards

Mirsad Bakalovic

– Head of Parking Mobility & Transport

Kate Boulter

– Democratic Services

**1. APPOINTMENT OF VICE-CHAIR**

That Councillor Denise Jones be appointed as Vice Chair of the Audit Committee.

**2. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST**

No declarations of disclosable pecuniary interest were made.

### **3. MINUTES OF THE PREVIOUS MEETING**

That the minutes of the Audit Committee held on 22 March 2016 be approved as a correct record of proceedings.

### **4. AUDIT COMMITTEE TERMS OF REFERENCE, QUORUM, MEMBERSHIP AND DATES OF MEETINGS**

**RESOLVED** that the terms of reference, quorum, membership and dates of meetings for the Audit Committee 2016-17 be noted.

### **5. KPMG ITEMS FOR CONSIDERATION**

#### **5.1 External Audit Plan 2015-16**

Andrew Sayers of KPMG introduced the report, which summarised the approach being taken by KPMG for the 2015/16 audit and the risk areas identified.

The following points were made in discussion:

- KPMG was confident that the correct risks had been identified and the audit process was robust. The process was kept under review and there was flexibility to make changes if identified as necessary.
- KPMG's fee was determined by Public Sector Audit Appointments Limited (PSAA) with additional fees charged to the Council for additional work.
- Following delays to the signing off of the 2014/15 accounts to allow consideration of a LOBO loans objection, KPMG was confident that the 2015/16 accounts were on track to be signed off by the end of September 2016.
- KPMG did not consider the outcome of the EU Referendum would affect their work in the foreseeable future due to the lengthy process that was anticipated before the UK left the EU.

**RESOLVED** that the report be noted.

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

#### **6.1 Draft Annual Financial Report 2015-16**

Kevin Miles introduced the Annual Financial Report for 2015-16 which included the draft Statement of Accounts which was subject to audit. It was noted that officers did not anticipate any material changes being made to the overall financial position as a result of the audit process. The final version would be brought to the September meeting of the Committee for committee approval.

The Council's spend for the year was in line with the revenue budget and the level of general reserves had increased by £0.6 million to £72.1 million. This increase was in line with the revised plan in the 2015-16 budget and was the result of unallocated contingencies for price increases that did not materialise. These unused contingencies also funded the £7.8 million deficit within the original budget.

The following points were made in discussion:

- The report provided a clear account of the Council's income and expenditure and overall financial position.
- A strategic approach was needed to ensure optimum transparency in earmarking of reserves as shown in the Movement in Reserves Statement.
- Members requested finance training ahead of the next meeting.

**RESOLVED** that: -

1. the report be noted; and
2. Member training be arranged prior to the next meeting.

## **6.2 Treasury Management Outturn Report for 2015-16**

Kevin Miles introduced the report, which detailed the Council's treasury management activities for the financial year ended 31 March 2016 as required under the Local Government Act 2003.

The Council had complied with its legislative and statutory requirements and it was confirmed that:

- All treasury management activities were executed by authorised officers within the parameters agreed by the Council.
- All investments were made to counterparties on the Council's approved lending list and within limit.
- No short-term or long-term borrowing was undertaken during the year to 31 March 2016. £145,000 of a corporate capital scheme was financed internally without the need to raise new borrowing.
- Long-term debt reduced from £88.893 million to £87.825 million as a result of loans maturing during the financial year.
- The investment portfolio stood at £379.761 million at 31 March 2016 with £25 million being investments longer than one year.
- The Council was mindful of the risks associated with the referendum decision to leave the EU and was receiving regular advice from its treasury advisors. The Council was generally risk averse and only held investments with major banks.

**RESOLVED** that the report be noted.

### 6.3 Internal Audit Annual Report 2015-16

Minesh Jani introduced the report, which provided the annual internal audit opinion in accordance with the Public Sector Internal Audit Standards. The report concluded that the Council had an adequate system of internal control which was in operation throughout 2015-16.

105 systems audits had been carried out in the financial year 2015-16. 97 of those had final reports issued with the remaining either at draft report stage or rolled forward to the 2016-17 year. Of the 97 reports issued, 80% received full or substantial assurance. 18% of audits resulted in limited or nil assurance and 2% related to audits where an opinion was not given.

Three areas had received limited or nil assurance since the last meeting and officers attended the meeting to discuss the actions being taken to address the recommendations.

#### Mirsad Bakalovic – Pay by Phone Parking

- The audit had achieved limited assurance.
- Mirsad Bakalovic advised the Committee that at the time of the audit the service had been experiencing HR issues. These had since been resolved and all actions from the audit had been put in place.

#### David Tolley – Pest Control

- The audit had achieved limited assurance.
- David Tolley advised the Committee that work was under way to address the recommendations of the audit. This involved reviewing the way in which cases were recorded and monitored and required input from ICT to assist in improving systems.
- Mr Tolley was confident that the recommendations could be met.

#### Shazia Hussain – Community Languages

- The audit had achieved nil assurance.
- Shazia Hussain was unable to attend the meeting due to a clash with another Council meeting. The Committee requested that she be invited to attend the next meeting.

The Committee requested that officers be given sufficient notice to attend meetings.

#### **RESOLVED** that: -

1. the report be noted;
2. Shazia Hussain be invited to attend the next meeting; and
3. invitations to officers be sent as early as possible prior to the meeting to ensure attendance could be arranged.

#### **6.4 Annual Anti-Fraud Report 2015-16**

Tony Qayum introduced the report, which provided an update on anti-fraud work undertaken by the Council in 2015-16. It captured the work of the Corporate Anti-Fraud team which included Corporate Investigations, Housing Benefit Fraud Team Investigations, Social Housing Fraud Investigations and anti-fraud work around Parking Services. A total of £1,045.069 had been identified as monetary losses in the year so far.

The Council had worked closely with the London Borough of Redbridge on a fraud which had resulted in convictions in April 2016 and the Council had been shortlisted by the Association of Local Authority Risk Management for an award for proactive joint working.

The following points were made in discussion:

- It was important to publicise cases which resulted in recoveries to deter others from committing fraud.
- Fraud around Right to Buy and Airbnb would be a focus in 2016-17.
- The Council kept detailed records to ensure an adequate paper trail to support fraud cases.
- Some staff members had been disciplined for their involvement in fraudulent claims.

**RESOLVED** that the report be noted.

#### **6.5 Anti-Fraud and Corruption Strategy 2016-17**

Tony Qayum introduced the report, which provided the Council's Anti-Fraud and Corruption Strategy for 2016-17. This had been revised to reflect best practice as identified by the Chartered Institute of Public Finance and Accountancy (CIPFA) and key changes resulting from new legislation specifically the transfer of Housing Benefit Fraud Investigation to the Department for Work and Pensions Single Fraud Investigation Service.

**RESOLVED** that the report be noted.

#### **6.6 Independent Review of S106 Management Arrangements**

Chris Holme introduced the report, which provided the findings of an independent review of Section 106 management arrangements carried out by Grant Thornton in response to issues raised by the external auditors in their report of the 2013/14 accounts. The report contained eleven recommendations reported under four categories:

- Recording s106 income and expenditure (one recommendation)

- Ring-fencing and programming s106 (four recommendations)
- Governance and decision-making (three recommendations)
- Monitoring and reporting s106 (three recommendations)

The report was welcomed by Members and officers as an opportunity to strengthen areas of weakness in existing arrangements. It was noted that an action plan had been produced by officers and all recommendations were due for implementation by the end of 2016.

**RESOLVED** that the report be noted.

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

There was no urgent other business.

The meeting ended at 9.09 p.m.

Chair, Councillor Candida Ronald  
Audit Committee