

LONDON BOROUGH OF TOWER HAMLETS

MINUTES OF THE AUDIT COMMITTEE

HELD AT 7.00 P.M. ON TUESDAY, 20 SEPTEMBER 2016

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

Members Present:

Councillor Candida Ronald (Chair)

Councillor Denise Jones

(Mayoral Adviser for Service Quality and Performance)

Councillor Andrew Cregan

Councillor Andrew Wood

(Substitute for Councillor Craig Aston)

Other Councillors Present:

Apologies:

Councillor Ohid Ahmed

Councillor Harun Miah

Councillor Craig Aston

Others Present:

Ann Otesanya

– Director of Neighbourhoods Tower Hamlets Homes

John Tunney

– Interim Director of Asset Management Tower Hamlets Homes

Officers Present:

Claire Belgard

– Interim Head of Integrated Youth and Community Services

Zena Cooke

– Corporate Director, Resources

Ronke Martins-Taylor

– Youth Services Development Manager

Bharat Mehta

– Audit Manager

Kevin Miles

– Chief Accountant, Resources

Tony Qayum

– Anti-Fraud Manager, Risk Management, Resources

Antonella Burgio

– Democratic Services

1. DECLARATIONS OF DISCLOSABLE PECUNIARY INTEREST

Councillor Denise Jones declared an interest in respect of item 4.4 in that her daughter had recently become Chair of Governors at a borough school.

2. MINUTES OF THE PREVIOUS MEETING(S)

The minutes of the meeting held on 28 June 2016 were approved as a correct record of proceedings.

3. UNRESTRICTED KPMG REPORTS FOR CONSIDERATION

Item deferred.

VARY ORDER OF BUSINESS

The Chair moved and it was

RESOLVED

That the order of business be varied. Accordingly, Item 4.4 was considered after Item 4.1. Following this the Committee considered the agenda items in the order published.

4. UNRESTRICTED TOWER HAMLETS REPORTS FOR CONSIDERATION**4.1 Quarterly Internal Audit Assurance Report**

Minesh Jani, Head of Audit and Risk Management presented the report which is summarised the work of Internal Audit for the period June to August 2016

Members noted that:

- the chart “analysis of assurance levels” indicated that, of the audits carried out during the period, 85% had returned a substantial assurance (23 audits) and 15% (four audits) had returned a limited assurance. No audits in the period had returned a nil assurance.
- discussion of the audit of Community Languages had been brought forward from the previous meeting

Community Language Service

The Head of Audit and Risk Management introduced the item informing Members that a nil assurance had been returned because of concerns around governance arrangements in the following areas:

- performance management framework and KPIs were not sufficiently robust
- some SLAs had not been properly signed
- there was no audit trail for visits undertaken
- some DBS checks were not robust
- authorisations of payments was not robust

Shazia Hussain, Service Head, Culture, Learning and Leisure responded to the matters raised. The Committee was informed:

- issues around governance had been recognised upon the transfer of the Community Language Service to CLC directorate in 2013
- a review of Teaching and Learning was undertaken swiftly
- she had requested the audit following concerns raised by the Head of Ideas Stores
- the outcome of the audit had enabled targeted intervention to be undertaken. To this end:
 - structures and processes had been put in place
 - training delivered on policies and procedures
 - SLAs and the register had been standardised
- there was an ongoing service review to establish evaluation criteria

Responding to Members' questions the following were noted:

- the service standards had been regularised and now it was aimed to ensure that there was standard access across the borough and progression in the courses
- the objectives of the service were revised and integrated with formal qualifications for 6 community languages. The Primary Modern Language part of the service would be transferred to Children's Services Directorate and the Assessment Service would cease
- measurement of the effectiveness of the service was incorporated into the adult learning monitoring arrangements
- compliance with required DBS and other checks would be maintained through whole Council arrangements to audit and monitor DBS and other checks
- although Ideas stores presently were not able deliver course evaluations, they were investigating how staff could be trained to do this through Adult Learning Services
- provision of satisfactory premises would be ensured as facilities formed part of the SLA for providers
- there were 100 sessional tutors and it was intended to review these to ensure that provision was standardised

Tower Hamlets Homes (THH) Major Works

The Head of Audit and Risk Management introduced the item informing Members that a limited assurance had been returned for the following reasons:

- poor administration of notices
- some policies were out of date
- co-ordination between teams was inconsistent

Ann Otesanya and John Tunney of THH responded to matters raised and provided the following information:

- a new executive team was now in post at the organisation and a review of major works was being undertaken which included an investigation into improving consultation and communication with residents around projects
- co-ordination between teams concerned the Decent Homes Programme and this was expected to improve as this programme would now be delivered in smaller groupings/blocks

- THH would ensure that contractors had delivered the works via a clerk of works and project manager. Additionally spot-checks would be carried out and inspections with residents undertaken
- quality of works would be ensured via supplier inspections and drone surveys of roof work
- complaints regarding scaffolding have been addressed by implanting a new approach to repairs and maintenance which engages with residents from the outset to reach a consensus on repair vs replacement of fixtures
- staff would be trained to deal with vulnerable and disabled residents

THH Corporate Health and Safety

The Head of Audit and Risk Management introduced the item informing Members that a limited assurance had been returned for the following reasons:

- a dashboard indicating areas of health and safety oversight was not effective
- tracker spreadsheet is not up-to-date
- Fire marshal/first aider log is incomplete
- No schedule of visits available to inspect
- Some logs in the incident book incomplete

John Tunney of THH responded to matters raised and provided the following information:

- a health and safety manager had been recently employed to regularise arrangements
- the dashboard had been simplified and focused on key areas of compliance
- the health and safety policy had been refreshed and signed by the Chair of THH Board
- focus going forward was to be health and safety training and establishment of an inspection programme
- incident reporting has been publicised within the organisation

THH was confident that the measures reported would ensure a robust health and safety framework going forward.

Award of Concession Contracts Review

The Head of Audit and Risk Management introduced the item informing Members that a review had been carried out following a complaint about the tender of ice-cream pitches in Victoria Park. The complainant felt his complaint had not been properly addressed and made a further enquiry under the Whistleblowing procedure. The review found:

- the process was over-complicated and unclear. This led to confusion in the execution of the re-letting procedure
- there was inconsistency around assessment of applications
- some officers were involved in the whole procurement cycle
- technical matters in the original complaint were not addressed

IT had not been possible to assign an assurance level to the review as it was the result of a complaint. However an outcome of the audit is a

recommendation that the historic arrangements for re-letting contracted were not continued.

Shazia Hussain, Service Head, Culture, Learning and Leisure responded to the matters raised informing the Committee that:

- the complaint had been investigated and revealed that staff had not acted improperly
- a new procedure for lettings had been adopted and a new tendering process initiated
- the procurement procedure had been simplified and an online method adopted to prevent future errors
- staff had been re-trained and support put in place

The Head of Audit and Risk Management responded to Members questions informing them that:

- the complainants concerns had been responded to
- the issue had not been picked up prior to the complaint as the matter concerns contract management and requires skills in this field to be detected
- Audit has reviewed the complaint with the Complaints Team and recommended that there are skills in the team to answer this category of complaint

The Chair asked that after the tendering letting process, that a report be made to Audit Committee

Action by: Shazia Hussain, Service Head, Culture, Learning and Leisure/
Minesh Jani, Head of Audit and Risk Management

Youth Services Review

The Head of Audit and Risk Management introduced the item informing Members that a review had been carried out following a number of complaints about irregularities and fraud between 2013 and 2015. Therefore a full audit for governance, management and risk management had been carried out. The audit revealed that there had been failings in governance, financial management and monitoring. In 2016, 37 visits were undertaken which found:

- Most organisations had a good session plans
- 6 organisations provided indoor games only
- there were attendance sheet inconsistencies
- there were health and safety concerns around 8 organisations
- there were antisocial behaviour concerns around one organisation

Responding to Members' questions, the Head of Audit and Risk Management advised that:

- the issue had not been discovered sooner as although youth services were mentioned in PWC report, there was no indication that the matters/issues might be connected
- further issues came to light when statutory officers determined that a full audit was required as there were a number of issues with the provision

- remedial action was delayed because there had been insufficient management control and monitoring
- since the issues were raised in isolation, alerts to management/finance were slow to be made
- caps on spending could not be effectively implanted as monies could be spent via the Internet and other virtual methods
- Credit Card issue to staff was controlled by management.

The Committee requested an analysis of the number of credit cards issued to staff, the average spend per card and an analysis of the spend

Action by: Minesh Jani, Head of Audit and Risk Management

Clare Belgard, Interim Head of Integrated Youth and Community Services and Ronke Martins-Taylor Youth Services Development Manager responded to Members questions informing them that:

- Ms Belgard had been in post since November 2015 and had put in place strong controls around management and financial processes
- service plans were scrutinised to ascertain quality of delivery
- Mazars had been asked to carry out audits and their findings used to inform the introduction of a new model of delivery which contained better controls and planning
- new strategic proposals for youth services would be developed, moving away from grant-based arrangements to those based on commissioning
- commissioning basis would provide stronger procurement and specification of services
- unannounced inspection visits would be undertaken
- From September 2016, post-summer youth activities would be commissioned from the 3rd Sector on a fixed term basis with the aim of achieving better monitoring and efficient services.
- Future delivery would be safeguarded by a proactive communications strategy to promote positive messages about the service and by utilising lessons learned to inform better procedures, infrastructure and governance arrangements for the service
- Youth services employed 170 staff spread across 90FTE roles
- The 5 year plan for the service was to achieve a gold standard service and deliver a vision to reach all young people in the borough. This would be achieved by first listening and responding to young people and from there develop services that would be owned by them.

Langdon Park and Stewart Headlam Schools Audits

The schools audits carried out in the quarter were considered as part of agenda item 4.4.

RESOLVED

That the contents of this report be noted and Members take account of the assurance opinion assigned to the systems reviewed during the period.

4.2 Risk Management Annual Report 2015/16

Minesh Jani, Head of Audit and Risk Management presented the report which informed members of the annual review of the Council's risks and the measures in place to categorise prioritise them and so that it can identify how deliver effective risk management.

Members considered the report and indicated that they had no comments that they wished to make.

RESOLVED

1. That the contents of the report be noted;
2. That the actions highlighted at section 9 of the report be agreed;
3. That the corporate risks (table 2 on pages 7 and 8 of the attached paper) be noted ; and
4. That the risk owner(s) identified in the report requiring further scrutiny provide a detailed update on the treatment and mitigation of the risk including impact on the corporate objectives at its December meeting.

4.3 Annual Governance Statement 2015-16

Minesh Jani, Head of Audit and Risk Management presented the report which provided the Audit Committee with an oversight of the authority's processes to facilitate the identification and management of its significant business risks. The report also included a summary of the Q1 2016/17 Corporate Risk Register and Risk Management Team activity over the last 12 months.

Members were asked to consider

- the actions highlighted at section 9 and whether they were minded to endorse them.
- The corporate risks identified and whether any other risks should be considered.

RESOLVED

1. That the contents of the report be noted;
2. That the actions highlighted at section 9 be agreed;
3. That the corporate risks (table 2 on pages 7 and 8 of the attached paper) be noted and
4. That the risk owner(s) requiring further scrutiny provide a detailed update on the treatment and mitigation of the risk including impact on the corporate objectives at its December meeting

4.4 Annual Schools Report 2015/16

Minesh Jani, Head of Audit and Risk Management presented the report which summarised the schools audit work in the year 2015/16 including the audits reported at agenda item 4.1.

Members were informed that:

- 84% of the schools audited had returned a substantial assurance.
- The issues identified fell into 3 strands/themes
 - Governance
 - Procurement and property practices
 - Management of inventory
- The themes were identified with the aim of ensuring that practices were improved. As issues were identified, proactive support would be given.
- Clerking services were available to schools via the Council but these services were chargeable

Members noted the outcomes reported and made the following comments:

- The issues identified at audit were of a repetitive nature
- The authority should look at provision of proper clerking services to schools
- There should be a better standard of governor training especially in regard to financial management

Action by: Minesh Jani, Head of Audit and Risk Management

RESOLVED

That Members note the contents of the Annual report from Mazars and to take account of the matters raised in each of the twelve areas examined.

4.5 Treasury Management Report - update to 30 June 2016

Kevin Miles, Chief Accountant presented the report which informed the Committee of the Council's treasury activities from April to June 2016.

Members were informed that:

- Performance in the period was lower than some local authorities
- Market rates had been low but stable in the period
- Performance of the Council is above the model weighted average rate of return in its investment benchmark club
- A proposal to change the investment lending strategy would be put to Full Council on 21 September 2016.

Responding to Members' questions, the Chief Accountant advised that:

- The Council's external auditors (KPMG) had not raised concerns around its exposure to Lender Option, Borrower Option (LOBO) arrangements as the investments chosen were not reverse LOBO investments
- KPMG had not resolved the annual accounts objection received around LOBOs but had indicated that no other matters prevented the sign off the accounts
- KPMG were seeking legal opinion in relation to the LOBO complaint as this also concerned a number of other local authorities and caused delays in signature

- LOBOs presented risk in a long term framework. The Council's loan had 60 months remaining and in the present investment climate presented good value in the mid term
- In regard to exposure to risk versus returns. The Council was presently looking to review its treasury management approach to generate better returns without increasing its risk profile

RESOLVED

1. That the contents of the treasury management activities and performance against targets for quarter ending 30 June 2016 be noted;
2. That the Council's investments which are outstanding as at 30 June 2016 as set out in Appendix 1 be noted and that it be noted that the balance outstanding at that time was £452.95m which includes £73m, pension fund cash awaiting investment in early July.
3. That the recommendation to the Full Council to agree increasing investments over a year monetary limit from £50m to £100m as set out in section 3.12.3 be endorsed
4. That the recommendation to the Full Council to approve increasing monetary limit and duration of part nationalised banks from £25m and 3 years to £50m and 5 years as set out in section 3.12.4 be endorsed

4.6 Forward Plan 2016/17

Item deferred

5. ANY OTHER BUSINESS THE CHAIR CONSIDERS URGENT

Nil items.

The meeting ended at 9.40 p.m.

Chair, Councillor Candida Ronald
Audit Committee